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GENERAL

1. Philippine President resentful over US Pact with Australia and New Zealand:

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[Redacted]

President Quirino strongly resents the tripartite security treaty signed on 12 July by the US, Australia and New Zealand. He told US Ambassador Cowen that this treaty gives

Australia and New Zealand a preferred position and implies that the US does not regard the Philippines as a sovereign nation.

Ambassador Cowen explained that US public statements on the defense and security of the Philippines actually constitute a closer alliance than the recently signed treaty. However, in view of Quirino's resentment and the opposition's immediate use of this issue as another vehicle for criticizing the government, Cowen anticipates that both Quirino and Foreign Affairs Secretary Romulo will press for a formal defensive alliance.

Comment: Exclusion of the Philippines from the US-sponsored pact with Australia and New Zealand is a severe blow to Philippine pride. It undoubtedly will prove an additional irritant in US-Philippine relations, already severely strained by Philippine disappointment over the reparations clause of the draft Japanese peace treaty.

FAR EAST

2. Large scale replacements improve enemy offensive capabilities in Korea:

3.3(h)(2)

[Redacted]

The Far East Command may be required to revise its estimate of the enemy's readiness to resume the offensive. By rebuilding the units already committed, the enemy has

strengthened his offensive capabilities faster than had been anticipated. Recent reports on the flow of large numbers of Chinese Communist troops as individual replacements for forward area units and the identification

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of only one new division indicate that the enemy has rebuilt battered units rather than introduced fresh ones. Increased capabilities for offensive action are supported by other indications: the increased volume of enemy artillery fire on several parts of the front in recent days; air sightings of some enemy armor moving toward the front; and the eastward displacement of the 12th Army and the relief of the front line 20th by the rehabilitated 27th Army, suggesting the massing of forces for a drive in the east.

Comment: The present situation suggests that the enemy has the capability for launching a new offensive without committing fresh formations, a measure that has characterized the pre-offensive pattern of several previous operations.

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SOUTH ASIA

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4. Afghan internal situation is serious:

The Afghan internal situation is now more unstable than it has been for the last 20 years, according to the US Embassy in Kabul. Gestures made by the government early in 1951 to democratize Afghan politics have backfired by producing anti-government criticism.

Afghan economic grievances have increased since 1950, when an unusually able Minister of National Economy resigned. A rift among Moslem leaders, who control much of Afghan public opinion, has raised a religious storm to add to the confusion in government circles.

Control of Afghan army, police, and intelligence services has recently passed into the hands of Defense Minister Prince Daud, who has temporarily taken over the post of Interior Minister as well. The Prince, ambitious and hot-headed, is outspokenly hostile to Pakistan and is also hand in glove with the Afghan Ambassador to India, who shares his viewpoint.

Comment: Previously, conservative elder statesmen in the Afghan Royal Family have been able to prevent the development of any real democratic leadership within the Afghan populace, and to restrain dangerous activities on the part of such persons as Prince Daud. Given the weakening of the government, there is a danger that Prince Daud, backed by the Afghan Ambassador to India, and possibly by the Indian Government, might try to seize control of the government.

NEAR EAST

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5. British official opinion divided over withdrawing AIOC personnel:

No firm decision on continuing the "phased withdrawal" of British AIOC personnel from Iran has yet been made, and a

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serious division of opinion in the Foreign Office and in Parliament has recently developed on the issue.

One high Foreign Office official expressed the opinion that if the Harriman mission fails, Britain will be obliged "almost immediately" to announce the intention to continue the withdrawals, and that in any case some decision will have to be made soon. However, strong sentiment for holding on at present strength, even in the face of Iranian opposition, has been expressed by leading Conservatives.

Comment: Although a considerable number of British AIOC personnel have already left Iran, evacuations have been stopped temporarily, and a force sufficient to carry on present operations still remains. Foreign Secretary Morrison repeatedly has stated the British intention to remain as long as possible without jeopardy to British lives.

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WESTERN EUROPE

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7. US Commandant considers limited airlift for Berlin export crisis:

The US Commandant in Berlin, in a letter to High Commissioner McCloy, suggests that serious thought must be given to mounting a limited airlift in cooperation with the UK and France, possibly within the next two weeks.

Current Soviet restrictions on West Berlin's exports to the West have stalled the shipment of 16 million dollars worth of goods, including defense items. The US Commandant comments that economic deterioration will come quickly once Western European confidence in Berlin's ability to make delivery of goods is shaken. He estimates that a lift of approximately 600 tons daily for 30 days would clear up the present backlog and "might well be the decisive factor in breaking the serious impasse."

Comment: Despite a temporary relaxation of Soviet restrictions late in June and an expressed willingness to continue discussing the Berlin trade situation, the quadripartite talks have broken off because of the Soviet refusal to drop entirely either the present restrictions or the principle of controls over West Berlin's vital exports. The Allied Commandants, in their meeting on 16 July, began considering means to alleviate the present situation, including an airlift, military trains and convoys.

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