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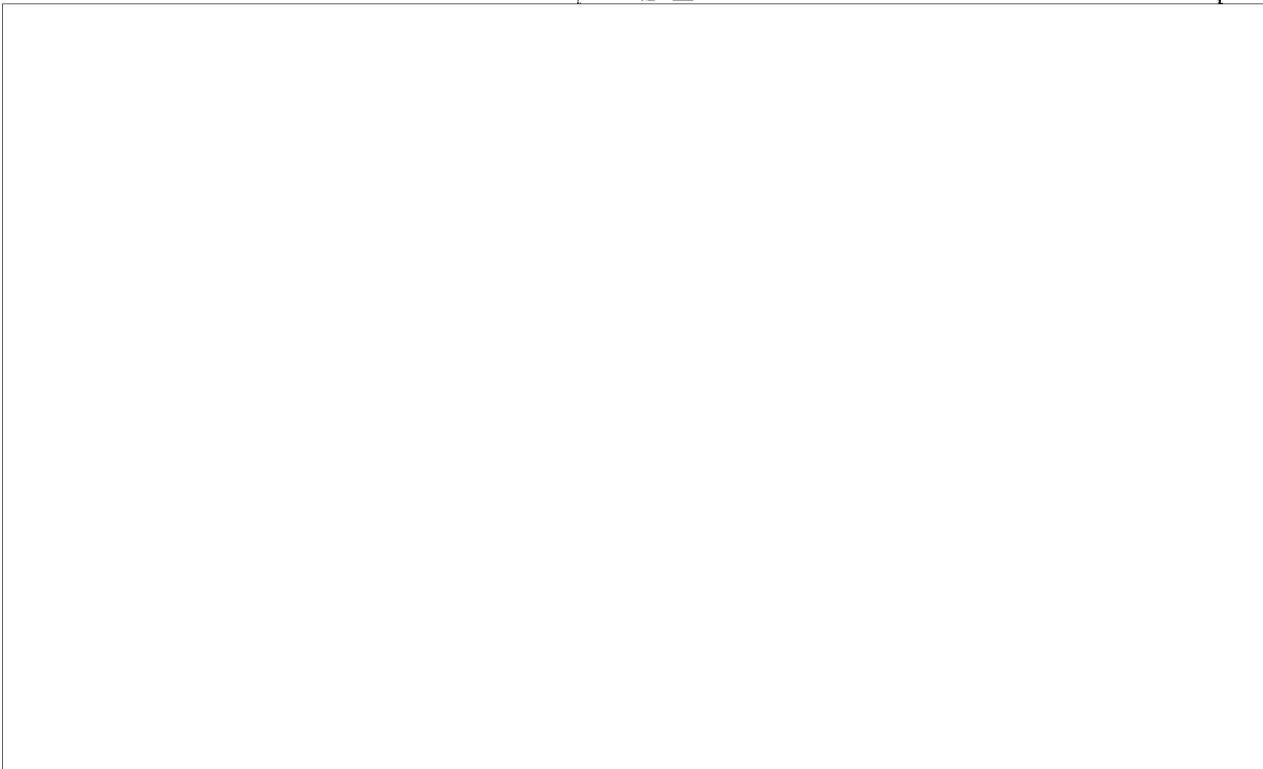
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GENERAL**2. Europeans increasingly concerned over defense burden:**

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The Dutch NATO delegate, Starkenborgh, has complained to US representative Spofford that NATO nations are in a difficult position because they are being tied to a level of

defense expenditures which they may be unable to maintain and which makes them increasingly dependent on the US. He claims that there has been a considerable "regression" since last fall in the confidence of the other NATO members in the US attitude on burden-sharing, and that some countries, particularly the smaller ones, cannot "go on" until they know just what the "burden-sharing exercise" will amount to. Spofford comments that this attitude is increasingly reflected among all European NATO countries, but that there will be no markedly adverse change in the attitude of NATO countries toward their defense commitments if they are assured of adequate US aid.

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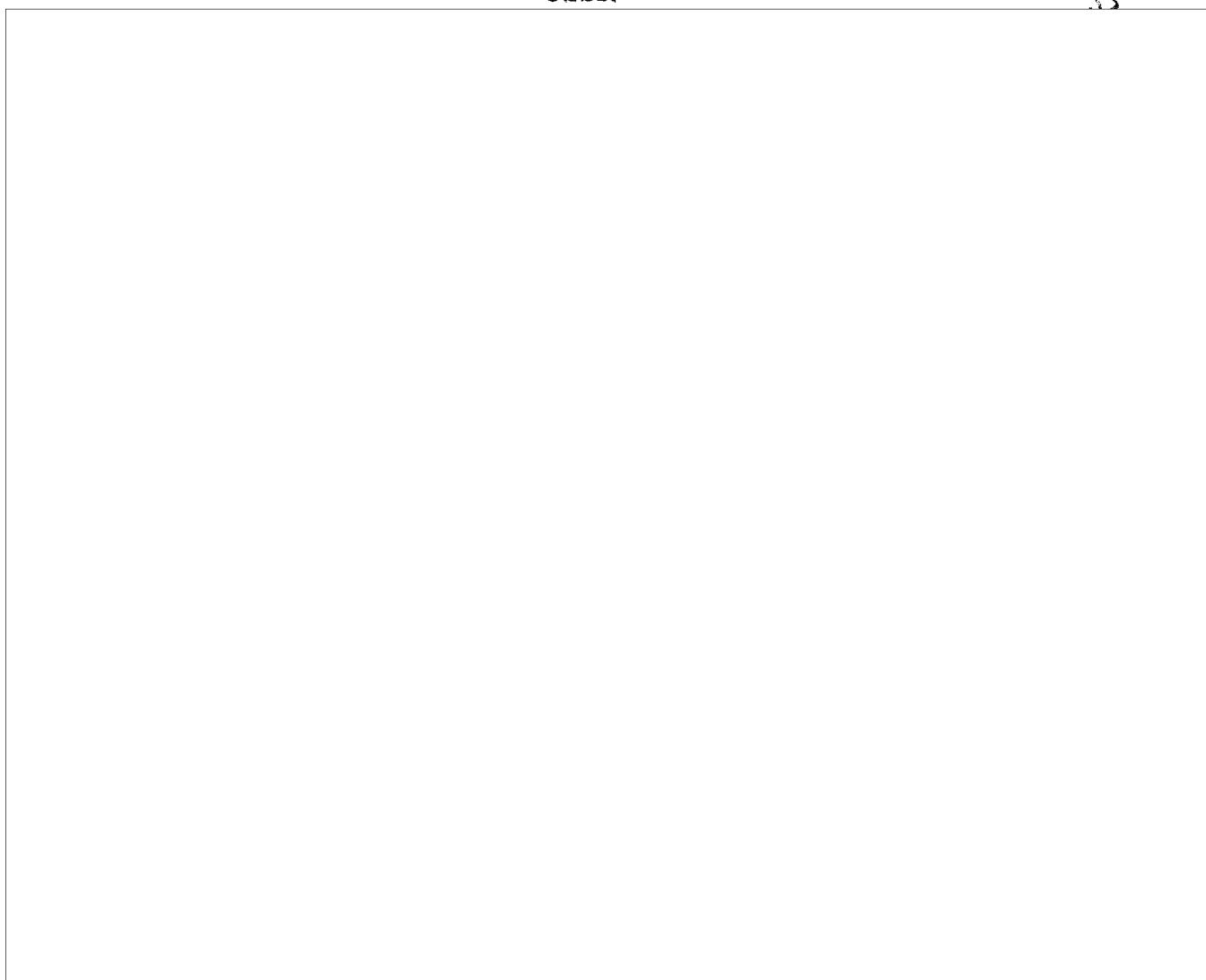
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Comment: In addition to the natural reluctance on the part of the Western European countries to implement their original defense commitments without sacrificing economic recovery, the Dutch delegate's comments also reflect a widespread fear that the US may subordinate Europe's interests to those of other areas.

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USSR



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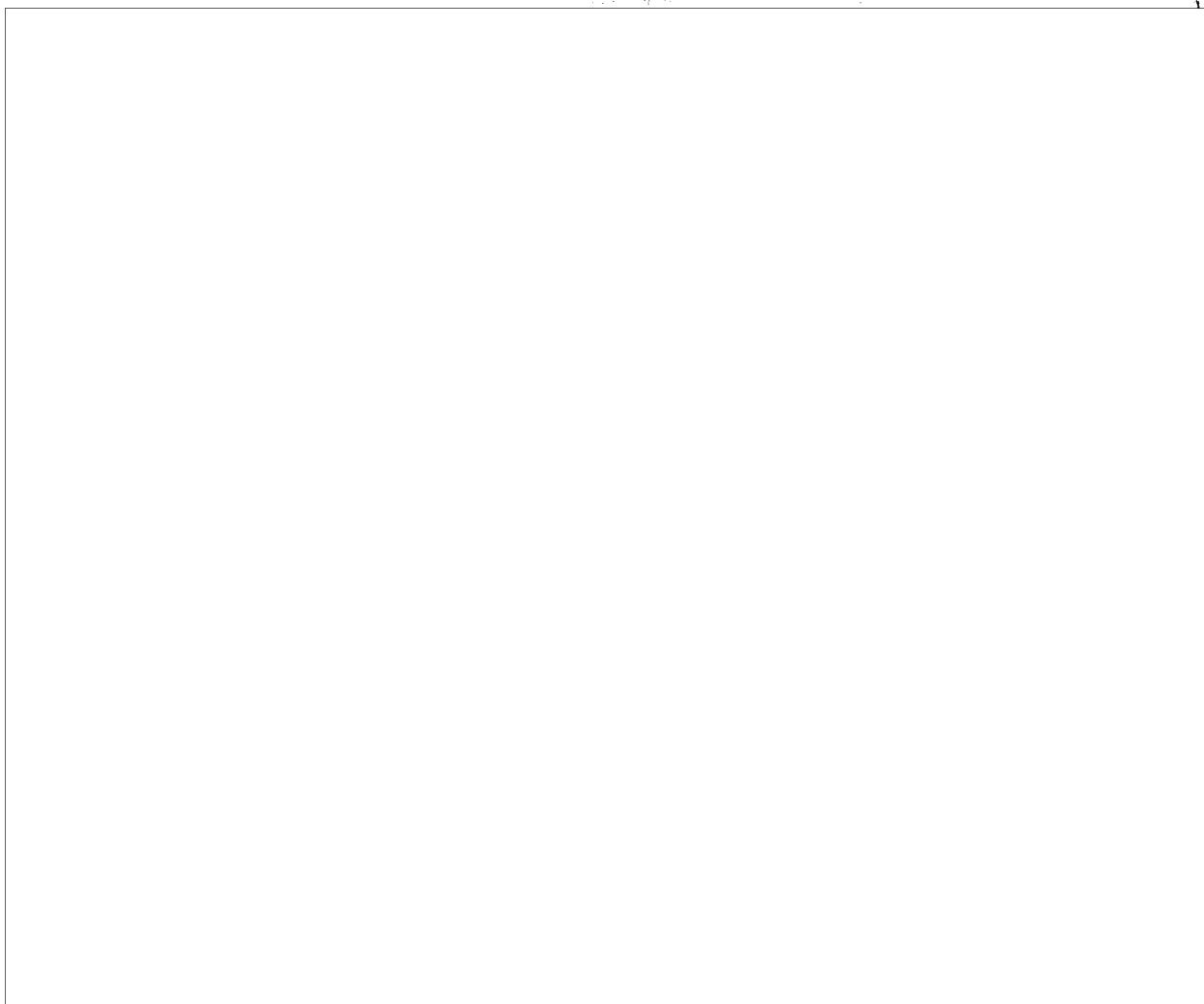
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FAR EAST**5. Creation of a Vietnam army is being delayed:**

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An important French official in Indochina has told US Minister Heath that delay in the development of a Vietnam National Army results from (a) lack of trained cadres and (b) lack of manpower in general. He stated it was not true that unlimited military manpower was available; on the contrary, very few Vietnamese were willing

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to serve under the present inconsistent leadership. The difficulty of quickly training junior officers, the absence of a corps of senior officers, and the lack of planning for supporting services were cited to support a conclusion that fifteen years will be required to build an effective Vietnam army.

Comment: The improbability of a rapid creation of an efficient Vietnam army will preclude an early solution of the situation in Indochina. Delays have resulted not only from the above-mentioned problems but from a lack of genuine French support.

6. Morale among non-Communist Vietnamese in North Vietnam is falling:

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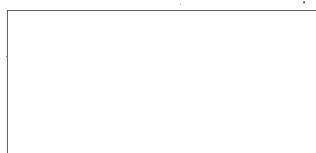


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the morale of non-Communist Vietnamese in the rebel-held areas of North Vietnam is at a low ebb and their faith that the Bao Dai government will provide a solution to the Indochinese situation is completely destroyed. Similarly, their faith in the US is decreasing as the Communists make effective propaganda against "apparent US policy."

Comment: US military aid to Indochina-- which the Vietnamese believe strengthens primarily the French-- has been much greater than US economic aid, of which the Vietnamese are the principal beneficiaries. Many Vietnamese believe that the US, by extending aid on this basis, is contributing to a policy of French colonialism.

7. Communists expand activities in Burma:



The US Embassy in Rangoon reports a perceptible stepping up of Communist activities in Burma. Overt activities

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have been expanded to include the development of a "People's Democratic Front," agitation for the establishment of a youth organization, formation of an All-Burma Chinese Congress and the launching of a new signature campaign calling for a "Big Five Peace Pact." Meanwhile, the underground Burma Communist Party continues its efforts to incorporate other ~~insurgent~~ groups. The Embassy comments that the inter-relation of members of the various front organizations and the obvious intensification of overt activities indicate the existence of a hard core Communist leadership and that the Communist organizational work in Burma is nearing completion and giving way to a program of mass indoctrination.

8. Chinese Nationalists in Burma preparing to attack in Yunnan:

The US Embassy in Taipei has been informed by a high official of the Chinese Nationalist Foreign Office that he has received a telegram from the leaders of the Nationalist troops in Burma stating that preparations were being made for their departure "very soon." These troops, he stated, would join Nationalist guerrillas operating in Yunnan.

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The above information is supported by a report from US Embassy Rangoon which indicates that the Nationalists have recently deployed along the Yunnan border, where they are in position to launch their "long expected thrust across the border." The Embassy adds, however, that Burmese officials are concerned that Nationalist activities may lead to a Chinese Communist invasion of Burma's border areas.

Comment: The Nationalist troops in Burma, recently reported as numbering 4000, are well armed and equipped and could provide valuable assistance to the anti-Communist guerrilla movement in Yunnan. The Chinese Communists, however, have built up a counter force, estimated as high as 50,000 men, along the Sino-

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- Burma border. Should the Nationalists be forced to retreat back into Burma, it is probable that the Communists will follow in hot pursuit.

9. Prospective Indonesian trade agreement with China indicated:

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[Redacted]

The Counselor of the Indonesian Embassy in Washington has indicated to State Department officials that the trade arrangements his government is contemplating with Communist China may represent a complete trade agreement and that part of the deal under consideration involves Indonesian rubber in exchange for Chinese rice and tungsten. He added that he had no idea of the quantities involved.

The Department observes that Indonesia claims to require 200,000 tons of rice, for which, under current prices, it would probably be forced to exchange about 40,000 tons of rubber. In recent negotiations with the US, the Indonesian Government claimed it could not command or control significant quantities of rubber and, therefore, contracted to sell to the US only the small output of government-owned estates (1200 tons monthly). If Indonesia is now contemplating a trade agreement with Communist China involving a fairly large quantity of rubber, it is apparent to the Department that the Indonesian Government has not acted intelligently or in good faith in one of the two negotiations.

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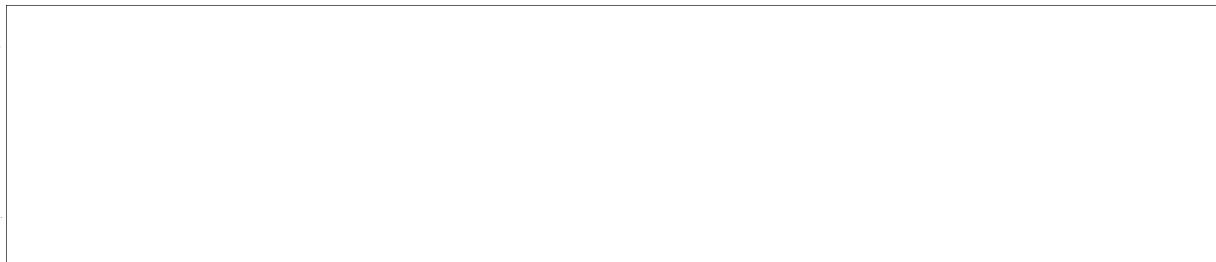
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EASTERN EUROPE

12. Yugoslavs reluctant on military talks with Greece:

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The Yugoslav Minister in Athens has reiterated to US Embassy officials the realization of his government that a Soviet attack on Greece, Germany or Austria would necessarily involve Yugoslav participation in the ensuing hostilities. The Yugoslav Minister seemed satisfied for the present with vague Greek assurances that, in the event of an attack on Yugoslavia, Greece would fulfill its UN obligations. He appeared reluctant, however, to push forward detailed Greek-Yugoslav military conversations because of Cominform propaganda charges, but declared that conversations must be undertaken rapidly if an attack seemed imminent. He expressed agreement with the view that, while the USSR might attack at any moment, requiring urgent Western defense preparations, the greatest danger would come next year, after Western military strength and unity had made impressive progress but before they had become preponderant. The Yugoslav diplomat attached great importance to evidences of growing disaffection in the Satellites which, in his opinion, will render them constantly less reliable as military instruments for the USSR.

Comment: The Yugoslav Government may be delaying detailed military conversations with Greece in order first to ascertain the outcome of current military negotiations with the Western powers, estimating that any agreement with Greece should await overall commitments made with the US, UK and France.

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WESTERN EUROPE

13. French deviationists victims of hooligans

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 Darius LeCorre, leader of the "independent" Communist movement in France, was beaten badly by Communist hooligans who broke up a Paris press conference in which he was engaged on 11 May. A LeCorre lieutenant was later assaulted by a gang at Nancy. Meanwhile, LeCorre has emphasized that the domestic policy of the "independents" supports "co-management of enterprises" and its foreign policy supports "general and simultaneous disarmament." He also reiterated that the group will present candidates in 30 departments and stated that the electoral campaign would be spearheaded by the formerly clandestine newspaper "La Lutte."

Comment: These are the first French Communist Party (PCF) attempts to use violence against the new "independent" group, and are indicative of the seriousness with which the PCF regards the group. There is, however, no indication as yet that LeCorre's organization has achieved a wide following.

14. Electoral alliance of neo-Fascists and monarchists in Italy reportedly encountering difficulties:

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 The press of the neo-Fascist Italian Social Movement (MSI) is pessimistic regarding the party's prospects in the forthcoming local elections. The alliance on which the MSI and the monarchists have agreed at a national level has fallen through in many important cities. According to the neo-Fascists, this is the result of Christian Democratic pressure on possible financial backers.

Comment: This is the first indication of weakness in the electoral alliance of the MSI and the monarchists. The alliance to be in a position to

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profit at the elections from the dissatisfaction of conservative groups with the reform program of the Christian Democrats. Steps may have been taken to weaken extreme rightist movements by threatening their actual and potential financial supporters with the loss of government contracts and subsidies. Government officials, including Premier de Gasperi and Interior Minister Scelba, have stated during the current election campaign that not only the Communists, but also the neo-Fascists, are to be regarded as enemies of democracy and peace.

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