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H I G H L I G H T S

With the exception of the Western Foreign Ministers meetings in New York, there were few developments during the week having a major bearing on US security. The tenseness of East-West relations, however, is causing increased speculation regarding the implications of possible future actions by the USSR and the Western Powers.

For example, it became clear that the forthcoming General Assembly session will be long and bitter, with most deliberations being overshadowed more than in any previous session by the struggle between the US and the USSR, particularly over Asian matters (see page 2).

Soviet reaction to the remilitarization of West Germany was also becoming of vital concern; present indications point to no early substantial change in Soviet policy either as a result of West German remilitarization or an increase in Western occupation forces (see page 4).

In the Far East, UN amphibious landings in Korea focussed attention on the possible commitment of Chinese Communist forces to the fighting; continued Soviet reluctance to expand the Korean conflict as well as various political disadvantages appear to preclude such a development (see page 9).

The serious agricultural shortages in Yugoslavia may develop into the gravest threat to the Tito Government since the Cominform break (see page 12). Because the critical situation can only be alleviated by substantial dollar aid, the question of Yugoslav-Soviet relations was again being examined; all available evidence points to the improbability of a rapprochement (see page 5).

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THE UN GENERAL ASSEMBLY

East-West Struggle Delegates gathering for the Fifth Session of the United Nations General Assembly, which opens at Lake Success on 19 September, can expect a long and bitter meeting during which the struggle between the US and the USSR will, more than in any previous session, overshadow most deliberations. Although the crucial issues of a new Western policy toward Germany and Western European rearmament are not before the UN, the Assembly will run head on into the East-West struggle when it considers such key Asian issues as Chinese representation and Korea. Debate on these issues will be acrimonious and will be exploited as an integral part of the Soviet propaganda campaign to picture the US as the aggressor in Asia. In addition to these issues, the US and the USSR will also clash in their attempts to maintain the initiative on other fronts. The USSR will bitterly oppose US proposals to strengthen the UN's ability to take united action against aggression. The US plan involves: (1) measures to facilitate GA action when the Security Council is blocked by the veto; (2) creation of a roving fact-finding and observation commission to act as a deterrent to aggression in threatened areas; and (3) the establishment of national "UN" armed contingents to repel aggression. The US will also attempt to place the USSR on the defensive by raising the question of Soviet retention of German and Japanese prisoners of war. Meanwhile, the Soviet propaganda campaign, in addition to stressing the contrast of Soviet championship of peace and self-determination with Western aggression in Asia, will rely heavily on the Stockholm Appeal as proof of world censure of US "warmongers" and possibly as a basis for again raising the atomic energy question.

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Korean Question As the Security Council continues to consider the military aspects of the Korean question, the General Assembly's role will be to work out a plan for Korea's future after the termination of hostilities. Although deliberations will not be subject to the veto and Asian members will have a greater opportunity to participate, the GA will face serious difficulties in reaching any agreement as long as hostilities continue. The GA has previously gone on record in favor of Korean unification; re-examination of this issue in the light of the present conflict will require a decision on whether to work out a plan for all Korea or for just that part south of the 38th Parallel. Regardless of the outcome of this question, the GA will probably discuss a rehabilitation program for Korea, an interim authority to see the Koreans through the convalescence period at the conclusion of the fighting, and plans to prepare for Korean elections under UN auspices. The most likely GA action would be to set up a stronger Korean commission with greater Asiatic representation or, as an alternative, a single UN commissioner. Trusteeship, completely distasteful to the Koreans, will probably receive scant, if any, consideration.

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EAST-WEST RELATIONS

German Militarization As the Western Powers discuss the problem of rearming West Germany and increasing their occupation forces, there are no indications that these actions, by themselves, would cause any early, substantial change in Soviet policy. In East Germany, the development of the Alert Police into a fully equipped military force would be pressed with even greater vigor than at present. East German Communist propaganda has long accused the Western occupation powers of re-arming West Germany; actual remilitarization would intensify this clamor and produce Soviet charges that the Yalta and Potsdam agreements had been violated.

The Kremlin has probably realized for some time that its global policy and the creation of the East German Alert Police would lead to some form of West German remilitarization. Basically, the Kremlin would regard this remilitarization as an extension of current Western efforts to strengthen Europe's defensive potential rather than as an immediate threat to its control of East Germany. The Kremlin would continue its present policy of relying on non-military Communist techniques in the hope that economic difficulties in West Germany will multiply and eventually provide new opportunities for Communist expansion.

The USSR would not change its policy largely because West German remilitarization would not eliminate the disadvantages to the USSR of adopting either of the two courses of action open to it involving the use of military force. For example, the East German Alert Police, apparently designed as an instrument of military aggression against West Germany,

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will probably not be adequate for that purpose during 1951, and West German remilitarization will act as a further deterrent to a Soviet-inspired invasion of West Germany by East German forces. Similarly, with respect to military action by Soviet troops, the considerations which have thus far deterred the USSR from taking this step will continue to apply for some time, principally reluctance to initiate global war until ultimate victory over the West is assured. On the other hand, the possibility cannot be excluded that the USSR may conclude that West German participation in the Western European defense system would eventually make Western Europe a threat to the Soviet orbit and practically invulnerable to further Communist expansion. Such a conclusion could, of course, lead to a Soviet attack on Western Europe, and would be reached, if at all, only as it became clear that the Western European defense system was attaining substantial effectiveness.

Yugoslav-Soviet Relations Despite occasional speculation and rumors of dubious origin regarding a possible rapprochement between Moscow and Belgrade, all available evidence indicates that the cleavage between the USSR and the Tito Government has appreciably widened since the original break on 28 June 1948. Moreover, it is estimated that the extent of the cleavage as well as overriding reasons of self-interest and prestige in the case of both Tito and the Kremlin renders such a rapprochement improbable.

The ideological-political conflict between the Kremlin and the Tito Government has sharpened during the past year and remains the prime deterrent to a Soviet-Yugoslav rapprochement. The Titoist alternative to Kremlin-dominated Communism constitutes a dangerous ideological threat to the Soviet monolithic

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structure; any concession to the Yugoslav thesis of equality between national Communist parties or states would undermine the whole edifice of Soviet power. For their part, the Yugoslav leaders appear increasingly convinced that the present Soviet leadership is irrevocably committed to a policy of militant imperialism. The Communist leaders of Yugoslavia also probably realize that any acceptance of a "working arrangement" with the present Soviet regime would be at best a fragile opportunistic expedient, entailing ultimate submission to Moscow and their personal liquidation.

Since mid-1949 the economic break between the Soviet orbit and Yugoslavia has been virtually complete, necessitating a shift of the Yugoslav economy toward the West with the attendant transitional difficulties. Having been forced at great cost to re-adjust its entire economy as a result of the Soviet blockade, the Tito Government is more likely to count upon Western assistance and trade than to sacrifice this support in exchange for a renewal of Soviet exploitation.

The Korean aggression has apparently caused the Tito Government to revise its previous estimate that the USSR would not seek its elimination through overt military action. In view of the Soviet build-up of the Satellite armies and the accumulation of military supplies in the Balkan area over recent months, the Yugoslav Government, though apparently not regarding an attack as imminent, probably views with growing concern the threat of Soviet/Satellite aggression. The Belgrade Government, therefore, is proceeding with several long-range precautionary measures designed to maintain the combat-readiness of its forces.

Meanwhile, the Tito Government is apparently convinced that it should, for ideological and political reasons, limit itself to denouncing all aggression, but otherwise adhere to an independent position between the "East-West power blocs." Although

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the Tito Government has avoided openly identifying itself with the West, it appears hopeful that within the UN framework the US will support Yugoslavia's independence. Yugoslavia's attitude toward the US and its relations with the non-Communist world have registered some improvement and this trend will probably continue as the question of Yugoslav survival becomes more critical and Western support becomes more tangible.

Iran-USSR The current Soviet conciliation campaign and Iranian disappointment over the non-appearance of Western economic help have produced a notable increase in pro-Soviet and anti-US feeling among the Iranian press and public. Despite the Anglo-Iranian Oil Company's recent decision to reverse its previous stand and grant Iran an eight-million pound advance against royalties (a move which should ease Iran's immediate financial situation), public support will probably continue to drift away from the West until substantial US economic assistance arrives. The Soviet peace campaign, however, is also a major cause for this trend of opinion. Although Premier Razmara and other responsible officials continue to be wary of falling into Soviet traps, the combination of bitterness toward the West and wishful thinking about the possibility of friendly relations with the USSR among the population at large paves the way for further Soviet gains in Iran.

German Communists The Communist-inspired rally of "youth for peace," scheduled to be held at Dortmund in the British Zone on 30 September and 1 October, will increase tension in West Germany and will test: (1) the willingness of West German Communists to implement at personal risk the policy of "national resistance" directed by the East German Socialist Unity (Communist) Party; (2) the extent to which West German authorities are prepared to go in resisting Communist

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subversion; and (3) the reliability and effectiveness of West German police and Laender officials in coping with Communist civil disobedience. The scheduled rally has been banned by West German officials, but spokesmen of the Communist Free German Youth have stated that the peace demonstration will be held, and attempts will probably also be made to extend the demonstrations to several other Ruhr cities. Although the police will probably be capable of preventing extensive rioting, some violence will almost inevitably result, particularly in view of the increasing willingness of West German Communists to provoke the police to retaliatory action. The importance attached by the Communists to increasing West German tension appears to outweigh the risk that increased violence will result in the legal banning of the Party and also demonstrate the need for an expanded West German police force.

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SOVIET/ COMMUNIST ACTIVITY

Communist China and Korea

Military Assistance Numerous reports of Chinese Communist troop movements in Manchuria, coupled with Peiping's recent charges of US aggression and violations of Chinese territory, have increased speculation concerning both Chinese Communist intervention in Korea and disagreement between the USSR and China on matters of military policy. It is being argued that victory in Korea can only be achieved by using Chinese Communist (or Soviet) forces, that the USSR desires to weaken the US by involving it in a protracted struggle with China, and that the Chinese Communists are blaming the USSR for initiating the Korean venture and thus postponing the invasion of Taiwan. Despite the apparent logic of this reasoning, there is no evidence indicating a Chinese-Soviet disagreement, and cogent political and military considerations make it unlikely that Chinese Communist forces will be directly and openly committed in Korea.

Global War The commitment of Chinese Communist forces in Korea, by enlarging the scope of the conflict, would substantially increase the risk of general war. Soviet actions since the Korean fighting began indicate that the USSR still not only wishes to avoid global war but believes it can make substantial gains in Asia by continuing its strategy of relying on indigenous "liberation" forces assisted, but not to the point of overt intervention, by neighboring Communist regimes.

Political Difficulties Purely aside from these considerations, and even if the USSR were willing to assume a greater risk of general war, commitment of Chinese Communist forces in Korea would entail serious political difficulties for both the USSR and the Peiping regime. It would tend

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to strain rather than solidify the Chinese-Soviet alliance, partly because in the event of the conflict spreading to China, the Peiping regime would expect substantial aid beyond mere material assistance from the USSR, aid which the USSR would be reluctant to grant for fear of itself becoming involved in the conflict. The Soviet Union consequently might face serious political problems in retaining control over Peiping and Pyongyang, and prospects for Communist China's admission to the UN would be virtually eliminated.

Indirect Aid The decision to provide indirect assistance, such as the commitment of Manchurian "volunteer" units, would present some difficulties. Moreover, victory might not be assured by the maximum scale of such indirect assistance. If large numbers of non-Korean manpower were necessary, they probably could not be supplied without being recognizable as direct Chinese Communist intervention, thus inviting retaliation against China by UN forces, as would direct involvement.

Interim Considerations Although decisive Chinese Communist intervention, either direct or indirect, is thus unlikely, both the USSR and the Peiping regime will continue their attempts to exploit Western fears of this eventuality. Charges of US border violations and aggression not only fit into the "peace" propaganda campaign but are designed by increasing Western fear of Chinese Communist military action to obtain Western political concessions for the Peiping regime as well as to create an atmosphere for obtaining a favorable settlement in Korea.

Sovzone War Production The first Five Year Plan (1951-5) of the Soviet Zone of Germany is aimed primarily at augmenting economic war potential. If successful, the plan will greatly enlarge armament production

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within the Soviet orbit and place East Germany in a commanding industrial position among the Satellites. Greatest increases are planned in the production of steel, chemicals, vehicles, precision instruments, and machinery. Fulfillment of the plan will depend largely upon Soviet orbit collaboration and will lessen East German dependence upon Western Europe. The program for agricultural expansion is moderate, in comparison to the capital construction and production programs, although the socialization of agriculture will be accelerated and will follow the pattern prevailing in the other Satellites.

Japanese Communists Various reports indicating a widening division within the Japanese Communist Party between the so-called "Centrist" and "Internationalist" cliques suggest the possibility of a permanent rupture, which would considerably reduce the Party's potential for underground activity. The cleavage is a direct outgrowth of the "Cominform criticism" aimed at the Party leadership in January 1950, the "Internationalists" contending that "Centrist" policy has not changed radically enough since the criticism. The rift has apparently reached such a critical stage that the "Centrists," who control 70-75 percent of the Party's membership, can hardly hope to restore satisfactory Party unity, and the purges instituted by both sides will probably continue. There is no indication, to date, that Moscow has given its support to either side.

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TOP SECRET**LOCAL DEVELOPMENTS****YUGOSLAVIA**

Food Crisis An extensive drought has produced a crisis in Yugoslav agriculture which may develop into the gravest threat to the Tito Government since the Cominform break. An estimated grain deficit of as much as 800,000 tons will require imports of grains and other food stuffs valued at more than \$50 million in order to prevent hardship and some degree of starvation before the next harvest. The Tito Government believes the public, already alarmed by current scarcities of seasonable produce and rising food prices, might be panicked if permitted to know the full extent of the prospective food shortage. The over-all economic effects of the crop shortages will be to: (1) adversely affect the Five Year Plan; (2) reduce Yugoslav exports by 12-15 percent; (3) tighten food rationing and further lower living standards; and (4) increase discontent among workers, causing a further reduction in efficiency and production. As industrial recovery under the Five Year Plan is curtailed and food shortages increase in deficit areas, popular disaffection with the Tito Government will mount, and Cominform pressures against the regime are likely to intensify. Efforts of the Yugoslav leaders to relax some of the more repressive aspects of the Communist police state in order to win a larger measure of internal support, which earlier in the year appeared to be meeting with some degree of success, will be largely nullified. Although the strength of Tito's internal security forces is considered adequate to maintain order in the country, the Tito regime is facing a critical situation which can only be alleviated by substantial dollar aid.

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AUSTRIA

Coalition Difficulties The Austrian Government coalition will probably survive the difficulties it will face in coming weeks when the coalition parties must compromise on several controversial issues, but it may later be more seriously threatened by a swing to the right in the People's Party. Despite indications of a rebellious attitude among the rank and file of the People's and Socialist Parties, recognition among the leaders of the necessity of cooperating while Austria's economy is weak and Soviet occupation forces are present will probably result in agreement on such questions as breadgrain subsidies, housing, revision of the exchange rate system, and possibly a new wage-price agreement. The growing domination of the People's Party by its industrialist faction, however, could swing the People's Party to a pronounced anti-labor policy and antagonize the Socialists beyond the limits of compromise. This would be particularly the case if the industrialists oust Figl from party leadership and from the chancellorship, substituting a leader unacceptable to the Socialist Party and labor.

INDONESIA

New Cabinet The first Cabinet of Indonesia's new unified state appears to be a capable one, but its members represent such diverse interests that they may have difficulty in working as a group and in obtaining the necessary parliamentary support. Several ministers are believed to be under the strong influence of Sjahrir, leader of the anti-Communist Indonesian Socialist Party (PSI), who will undoubtedly continue to exercise a moderating influence

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INDONESIA

and to work with the government in combatting the growing influence of the Left. On the other hand, inclusion of several members of the former, aggressively nationalistic Republic of Indonesia at Jogjakarta is bound to give the new Cabinet a less moderate tone than that of the preceding Hatta administration.

SOUTH KOREA

Political Maneuvers Efforts by the South Korean Assembly to oust Acting Prime Minister Sin Sungmo and Home Minister Chough Pyung Ok indicate that Korean political opportunists are still willing to sacrifice national unity for personal political advantage. Continuation of this politics-as-usual will reduce the prestige of the South Korean Government among UN member nations as well as the Korean people.

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TOP SECRET**NORTH KOREAN TRANSPORT AND SUPPLY**

The North Korean army, which was originally supplied by the USSR with Soviet and captured Japanese equipment, is now being re-supplied almost exclusively from Soviet sources, particularly with respect to heavy equipment, ammunition, and petroleum products. A large part of this logistic support apparently either originates from Soviet stockpiles in the Vladivostok area or is transshipped from farther west in the USSR across northern Manchuria into northeast Korea.

Concentrations of rail and water traffic along the northeast coast of Korea indicate that a substantial volume of heavy equipment is waterborne from Vladivostok to North Korean ports. The large numbers of railway tank cars observed on the east coast line, for example, suggest that re-supply of the North Korean army with petroleum products is being effected in this manner. This line of supply is particularly advantageous because the water haul from Vladivostok to the major Korean ports north of the 41st Parallel is relatively short and not subject to naval blockade, and in any case, the blockade has not yet prevented all traffic in North Korean waters. On the other hand, most of the limited waterborne tanker traffic thus far observed has been along the west coast, possibly indicating that Dairen is also a source of supply for the Koreans, at least with respect to petroleum products.

The most significant aspect of the North Korean logistical problem is the fact that North Korean divisions are expected to operate with only a fraction of the supplies normally allocated to US forces in combat. The over-all capacity of Korean transport facilities is still sufficient to meet the enemy's military requirements

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on this limited basis. Nevertheless, despite the apparent success of the USSR in transporting supplies to North Korea, the extensive damage inflicted on the transport system within Korea has caused certain serious weaknesses in the North Korean military position. The inability of the North Koreans to build up reserves of equipment and the serious difficulties which they are encountering in moving heavy equipment and petroleum in forward areas without through rail traffic have reduced their capacity for exploiting temporary tactical advantages. In addition, the lack of mobility both in forward areas and behind the North Korean lines will make the enemy particularly vulnerable to break-throughs by UN forces with superior fire-power and mobility, or to amphibious operations in areas removed from the immediate front.

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