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FAR EAST

1. South Korean foreign minister threatens to prevent armistice:

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Ambassador Briggs reports that South Korean foreign minister Pyun on 21 July made an "unequivocal, reckless and last-minute" threat to torpedo the armistice by demanding "clarifications" on two of the assurances which UN chief negotiator Harrison made to the Communists on 19 July. Specifically, Pyun and Prime Minister Paek Tu-chin wanted to know what Harrison meant when he said that the UN would "maintain the armistice" if it were violated by South Korea, and would "protect" neutral nation personnel authorized to enter South Korea,

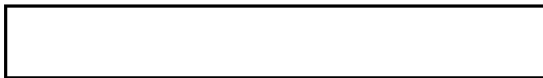
Implying that Robertson had shown bad faith in his conversations, Pyun and Paek also demanded to know whether the United States would give "moral and material support" in case of unilateral South Korean military action, and whether it would grant Rhee the type of mutual defense pact he requested on 9 July.



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In the past Rhee's opposition to the truce has risen whenever it seemed imminent. It is possible that Rhee plans to exploit the unsettled issues in the Rhee-Robertson agreement in a last-minute effort to block a truce or gain further concessions from the United States.

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3. Negotiations for Japanese conservative coalition government under way:

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Hayato Ikeda, an influential Liberal leader, is negotiating with the Progressive Party for the formation of a coalition government following adjournment of the Japanese Diet scheduled for mid-August. Ikeda has intimated to American embassy officers that should the coalition emerge, he would urge Premier Yoshida to visit the United States and Great Britain and then gracefully retire as an elder statesman. The embassy notes that Ikeda seems to be successfully effecting a liaison between the Liberals and Progressives.

Comment: Several recent moves, apparently made in deference to the Progressive Party, probably enhance the prospects for an eventual conservative coalition. Prominent leaders of important factions within the conservative opposition parties have indicated that Yoshida's retirement is an essential prerequisite for any conservative amalgamation.

Japan's political situation probably will remain unstable until a conservative coalition or merger is accomplished.

SOUTHEAST ASIA

4. Viet Minh possibly planning surprise attack in Laos:

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The US army attache in Saigon reports that French intelligence headquarters suspects that the Viet Minh is planning a surprise

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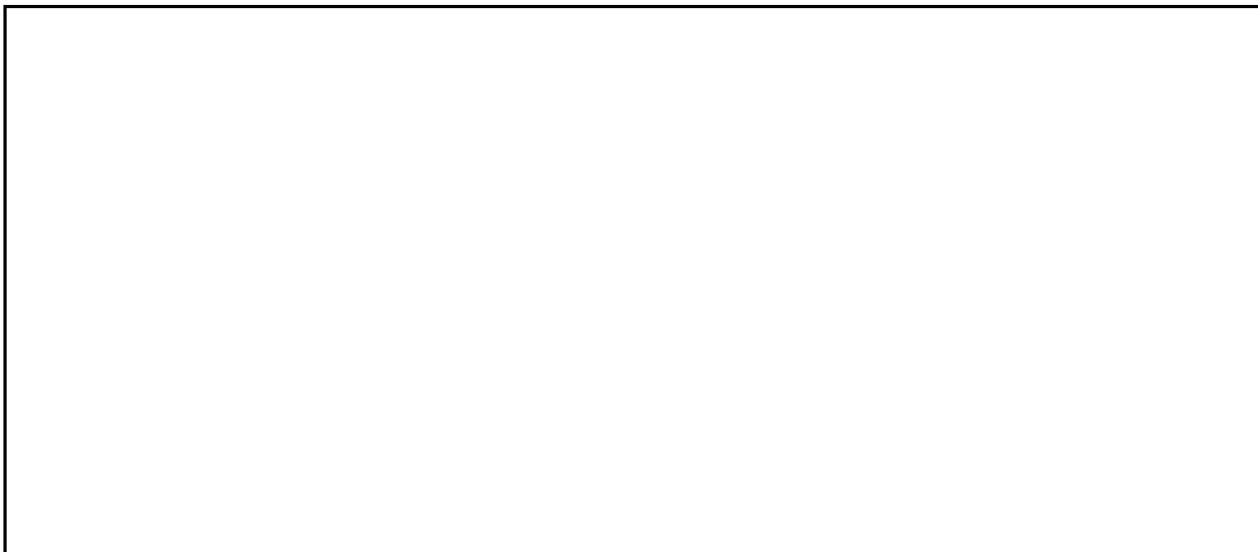


attack on Luang Prabang, the royal capital of Laos. This suspicion is based on information that a Viet Minh regular battalion has been ordered to reconnoiter defenses there.

Comment: French pilots reportedly sighted an enemy force of possibly three battalions moving toward Luang Prabang from upper Laos in early July.

French defenses in northern Laos have been weakened in recent weeks by the redeployment of the bulk of the units southward and to the Tonkin delta. There are now three French battalions at Luang Prabang, one of which is in poor condition, while the Viet Minh is believed to have at least two and possibly four in that area.

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NEAR EAST - AFRICA

6. Israel and USSR reportedly to raise their legations to embassies:

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The Turkish minister in Tel Aviv has informed American charge Russell that Israel and the USSR have agreed to raise their respective diplomatic missions from legations to embassies.

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The minister stated that the Soviet embassy would be located in Tel Aviv. Russell comments, however, that other sources believe the question of its location will be held in abeyance.

Comment: This is the first report that the level of representation may be raised. The United States has maintained an embassy in Tel Aviv since the Jewish state was established in May 1948.

7. Jordan objects to official Greek contact with Israeli official in Jerusalem:

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Jordan has sharply criticized Greek diplomatic representative Alto for calling on an Israeli foreign ministry official in Jerusalem. According to American consul general Tyler, the Jordanians are thinking of barring Alto from their section of the city.

Tyler points out that the reaction of Jordanians indicates the strength of Arab feeling. He believes that if an American embassy official from Tel Aviv should call on the Israeli Foreign Office in Jerusalem, the advantage gained from the new American approach to the Arab states would be lost.

Comment: This is the first report of an official contact with the Israelis in Jerusalem by a Western diplomat since Israel moved its foreign ministry on 13 July. The Foreign Ministry is now represented in Tel Aviv only by a small liaison office.

Contact with the Israelis in Jerusalem by Western diplomats now in Tel Aviv is likely to increase the bitterness of the Arabs. On 16 July they officially protested to the UN and are likely to demand UN countermeasures against Israel at the next session of the General Assembly.

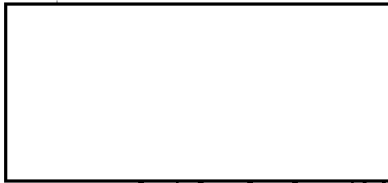
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8. Resumption of Anglo-Egyptian talks faces further delay:

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General Robertson, British military delegate for the Anglo-Egyptian talks, on his return to Cairo from the Washington conference, told Ambassador Caffery on 20

July that he had nothing new to offer on the formula for the future of the Suez base "aside from some slight flexibility."

Robertson, however, asked Caffery to try to arrange a casual meeting with the Egyptian military group in the hope of promoting a reopening of the talks.

On the same day, Egyptian foreign minister Fawzi indicated to Caffery that unless Robertson had "something new" to suggest, there would be no object in resuming negotiations.

WESTERN EUROPE

9. France prepared to answer on Saar issue during German election campaign:

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French high commissioner Francois-Poncet states that no reply to Chancellor Adenauer's 25 June letter objecting to the revised French-Saar conventions signed

in May is planned before the West German September elections. France does, however, intend to keep a reply on file for use in the event it is attacked on the Saar issue during the German election campaigning.

Francois-Poncet also told a US high commission official that he was at a loss as to the real intentions of Adenauer, who had previously shown a willingness to seek a Europeanization solution after the election.

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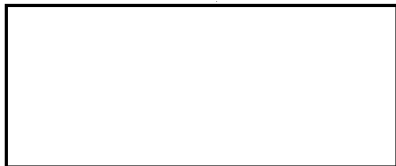


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LATIN AMERICA

10. American copper companies in Chile may face new difficulties:

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The Chilean minister of finance has presented for President Ibanez' approval a decree creating a new copper sales corporation. The corporation's council,

with six of its nine members to be appointed by the president, would purchase copper from the producers at a price fixed by the Chilean Central Bank and would set the selling price. The copper companies have not been consulted about the decree.

The minister of economy and commerce has hinted that if the United States does not purchase Chile's unsold copper, now about 50,000 tons, public pressure might force sales to Orbit countries.

Comment: Copper sales have been a government monopoly since May 1952. The creation of a copper sales corporation, however, would formalize government control of the copper industry and might be another step leading to complete nationalization of the American companies which produce 90 percent of Chile's output.

It seems unlikely that Chile would forego the benefits of United States aid by initiating direct trade with the Orbit at this time.

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