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## SECTION 1 (SOVIET)

"B" GENERAL. Indication Reds Estimate Proposed Buffer Zone May Obstruct Korean Settlement. Communist proposals for a "peaceful" settlement in Korea are cessation of hostilities, withdrawal of opposing forces and the establishment of a buffer zone of 10 kilometers on either side of the 38th Parallel. [ ]

[ ] COMMENT: An indication that the Communists estimate that the proposed buffer zone might constitute an obstacle in current negotiations was contained in a 4 July broadcast from Warsaw. In this commentary, Radio Warsaw stated that although the US agreed to cease-fire negotiations because of its "hopeless situation" in Korea, already there were indications that it "intends to sabotage" the talks. Cited as one proof of this allegation was the US intention to "create a buffer zone, not on both sides of the 38th Parallel, but only on the northern side."

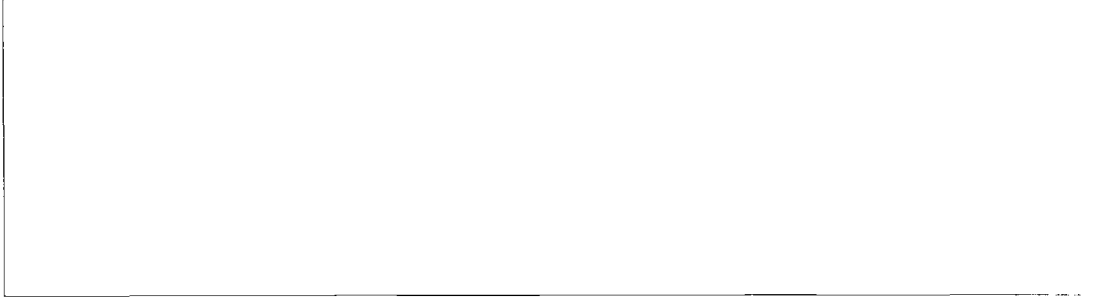
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"B" CHINA. Burmese Ambassador's Views on Communist China. U Myint Thein, Burmese Ambassador to Communist China and previously to Nationalist China, who departed Peiping in mid-June, has been interviewed by the US Consul General in Hong Kong. The Ambassador offered the opinions that (1) Peiping "really would like" to end the Korean fighting, as the regime has taken a "heavy beating" and finds it "increasingly difficult" to explain the inadequacy of Soviet aid, but (2) Peiping is unlikely to agree to any terms not providing for withdrawal of UN forces; (3) the regime is "firmly established in power," but (4) Peiping will probably be too busy with internal reconstruction for the next few years to devote much energy to furthering Communist aims in Southeast Asia; and (5) the Indian Ambassador, Panikkar, has become "morose and abstracted," partly as a result of having been "completely misled" regarding Peiping's policy toward Tibet. [redacted] COMMENT: The Burmese Ambassador, who predicted Chinese intervention in Korea, has been generally reliable. It is not known on what evidence the first of the Ambassador's opinions is based. However, Peiping's propaganda for the past three weeks has provided strong evidence that Peiping will not modify its basic original demand for withdrawal of all foreign forces from Korea. Almost all sources agree that the Peiping regime is stable, in the sense that internal opposition forces are not capable of challenging its authority in any significant area. The Ambassador's fourth point appears doubtful, as Peiping has demonstrated in Korea that it places the advancement of international Communism above its domestic objectives. Other sources have reported Panikkar's increasing alienation from the Peiping regime.



"B" KOREA. North Korean I Corps' Rehabilitation Apparently Completed.  
Far East Command reports that interrogation of a North Korean POW recently captured six miles southeast of Kaesong has identified the North Korean 8th Division. According to the prisoner, the North Korean 8th Division's current mission is to defend the Kaesong peninsula. The prisoner further stated that the North Korean 19th Division is defending the Yesong River west of Kaesong.

COMMENT: This report indicates that the North Korean I Corps has been reintroduced on the front after having spent more than a month in the Kumchon area presumably for rehabilitation and reequipment. Press reports on the presence of armed troops surrounding the Kaesong cease-fire negotiation site tend to support the POW report. This change in the disposition follows the same pattern as that displayed immediately prior to the 22 April offensive which was led off by the North Korean I Corps' attack across the Imjin River.