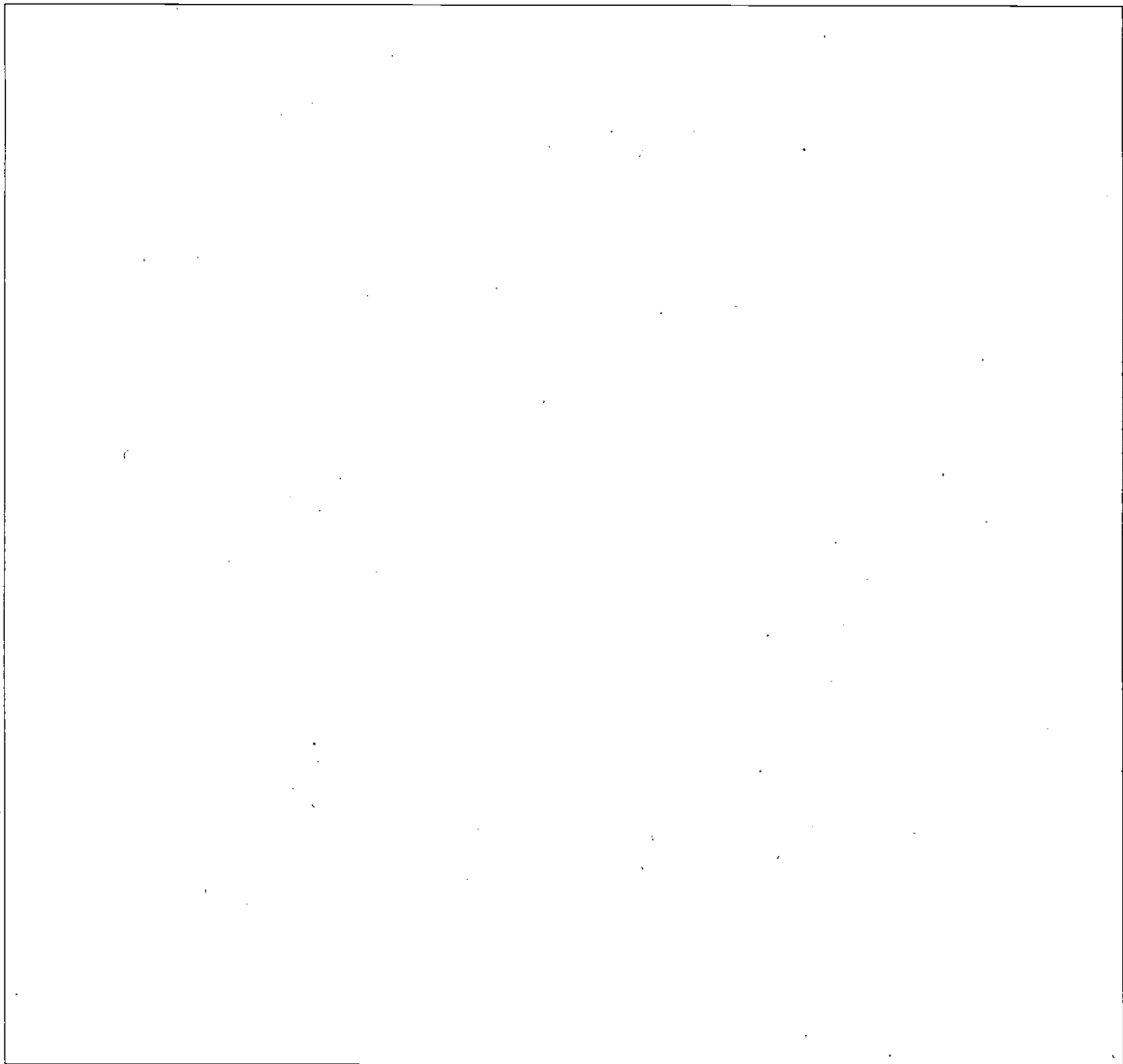


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8. KOREA. Chinese Communists reportedly rotating troops in Korea: In anticipation of "successful completion of the truce talks," the Chinese Communists are rotating their seasoned troops from Korea and replacing them with new conscripts, [redacted] Far East Command G-2 regards this reported plan as "improbable." ([redacted] 18 Jan 52)

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22 Jan 52

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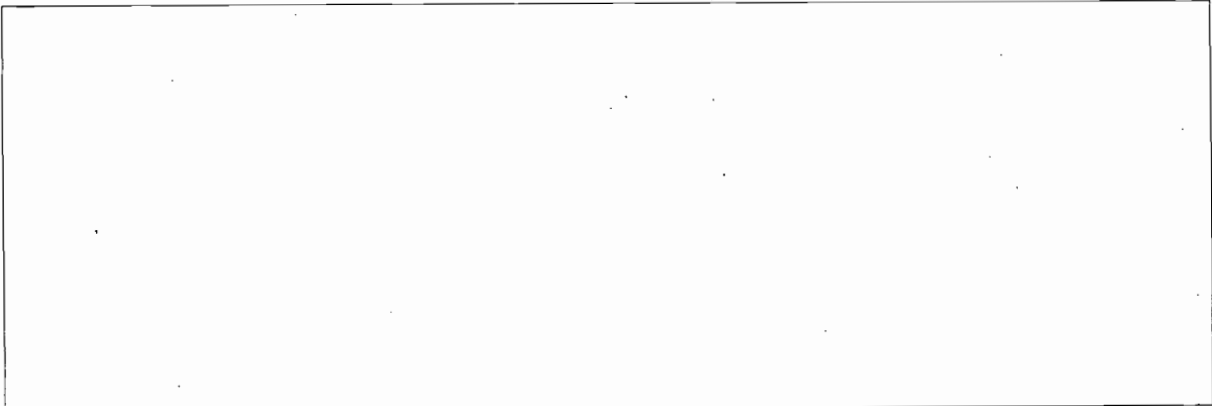
APPROVED FOR RELEASE  
 DATE: 19-Feb-2010

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Comment: The last large-scale movement of Chinese Communist troops in Korea occurred last spring, when certain armies apparently left Korea for rehabilitation. With one exception, all these armies have returned to Korea. While it is probable that some battle-trained individuals are being returned as cadres, available intelligence indicates that no large-scale rotation has been or is being effected.

9. ROK official acutely alarmed over increasing inflation in South Korea: Acting Prime Minister Ho, in a letter to US Ambassador Muccio, stated that the highly indicative price of rice in Seoul is "rising alarmingly" and that he fears that "hyper-inflation has started to set in." Ho continued that ROK currency advances to UN forces, approaching 354 billion won, must be settled immediately and new agreements between the ROK and the UN must be initiated to stop the creation of new money "which is deteriorating Korean economy." The ROK official further stated that if something was not done about currency expansion, an arbitrary ceiling would be enforced by the ROK. [redacted]  
19 Jan 52)

Comment: The current worsening of the financial situation is due in part to a seasonal up-swing in currency circulation following rice collection. The principal factors, however, are UN Command and ROK inability to reach agreement on control of the ROK's foreign exchange, as well as to the very real and continuing inflationary effect of the UN Command's demand for local currency.



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