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CENTRAL INTELLIGENCE AGENCY

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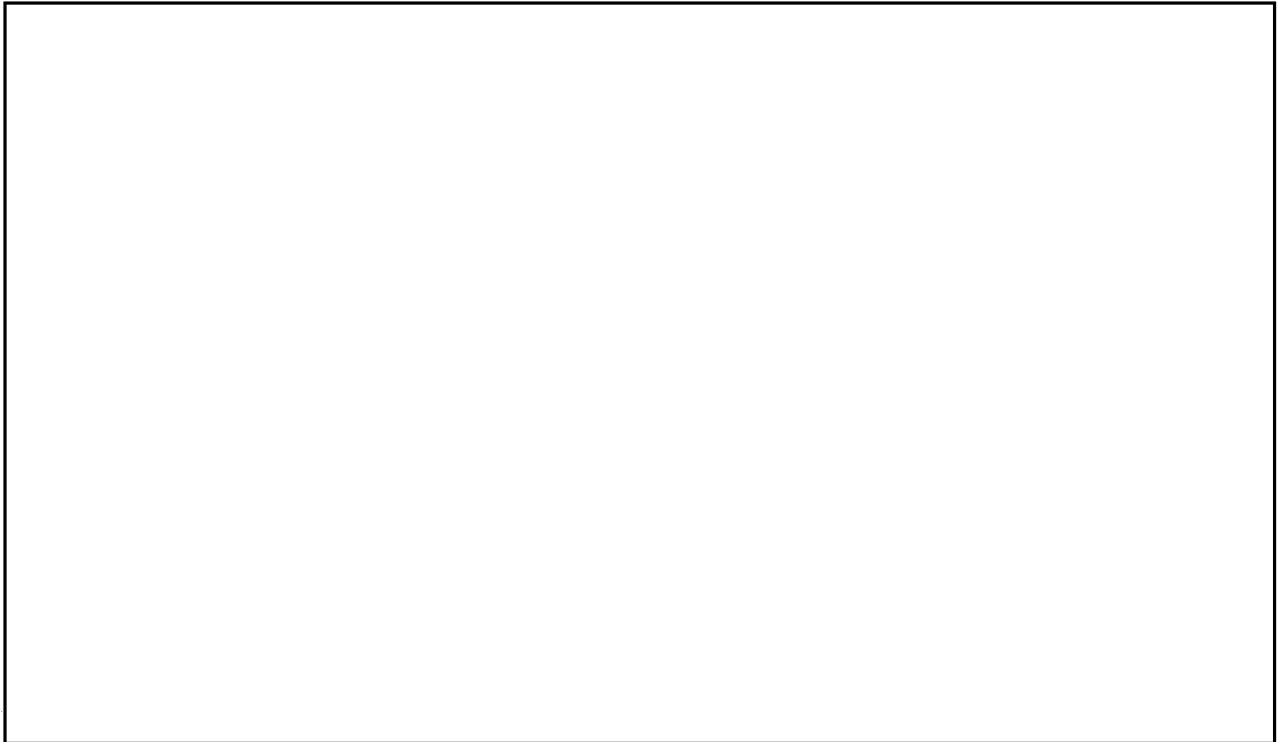
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GENERAL

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2. Portugal protests charge that Macao-China trade affects Korean conflict:

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Foreign Minister Cunha has protested to the American Ambassador in Lisbon against a charge allegedly contained in the forthcoming MSA annual report that the "considerable volume" of Macao-China trade permitted by Portugal is influencing the course of hostilities in Korea. Cunha stated that such a "grossly overdrawn" statement would have a harmful effect on US-Portuguese relations. Portugal, he added, is trying to hold this "trickle" of trade to a minimum.

Comment: Portugal insists that limited shipments of strategic goods to Communist China are essential to Macao's economic life; it has strongly intimated that it will refuse to consider any further tightening of trade controls in the colony.

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SOVIET UNION

3. USSR reportedly extending state farms in western border areas:

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Soviet authorities last fall reportedly transferred politically reliable farmers of Great Russian nationality from state farms in the Kaliningrad Oblast to collective farms

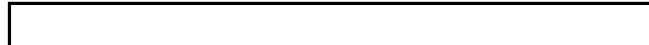
near the Lithuanian and Byelorussian borders. It is believed that this move may be connected with the transformation of collective farms in these border regions into state farms.

Comment: This action was probably undertaken primarily to strengthen government control in rural Byelorussia and Lithuania. In state farms the government has full control over personnel, production and distribution.

FAR EAST

4. Moslem revolt in North China reportedly continuing:

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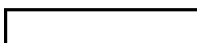


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Kansu Province has confirmed the continuation of a Moslem rebellion in Northwest China.

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 said that anti-Communist Moslems have controlled a mountainous area in eastern

Kansu for about 18 months and that for political reasons Chinese Communist leaders have not yet launched an all-out attack to crush the revolt.

Comment: This revolt was admitted in the Chinese Communist press last April. This is the only confirmed instance of resistance to the Chinese Communist regime on this scale.

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SOUTHEAST ASIA

5. Indonesian rubber reportedly sold to Communist China:

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The sale by a private group of 3,000 tons of Indonesian rubber to Communist China has been confirmed.

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He believes that the movement of Indonesian rubber to China

will lead to the general breakdown in Southeast Asia of the UN-sponsored embargo and intimates that a concerted approach to Djakarta might be effective in preventing the issuance of export licenses for this shipment.

Comment: Peiping has reportedly offered exceptionally favorable terms for a rice-rubber deal to induce Indonesia to withdraw its support of the embargo. The fact that China is able to meet its current rubber requirements by imports from Ceylon suggests that the motivation for any such offer is primarily political.

NEAR EAST - AFRICA

6. Egypt reportedly secures support of southern Sudan for self-government:

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has told the American Liaison Officer in Khartoum that, during his visit to southern Sudan, the majority of the primitive chiefs had agreed to support the Egyptian position

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of no special authority for the Governor General prior to self-determination.

added that a settlement of the Sudan question is impossible because of British insistence on special powers for the Governor General. If there is no settlement, violence will occur, the Sudanese will boycott any elections, and Egypt, if requested, will come to the assistance of the Sudanese.

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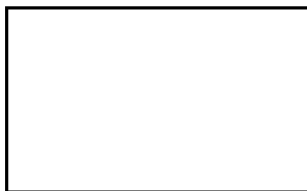
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25X1 Comment: The British had previously hoped
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in the situation and induce Egypt to be more moderate. The success
[] achieved in gaining southern Sudan's support for the
Egyptian position makes it unlikely that Cairo will offer any further
concession to London on this issue.

EASTERN EUROPE

7. Tito opposes interim solution involving Italian occupation of Trieste:

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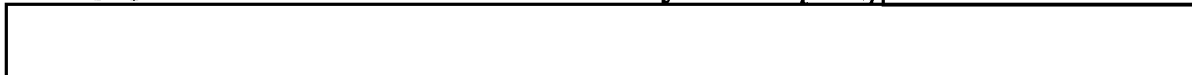


Marshal Tito opposes the withdrawal of Anglo-American forces from Trieste and the assumption of their responsibilities in Zone A by Italy. He told Ambassador Allen that such a solution might provoke serious disturbances by "Fascist and Cominform" elements in Trieste, and would provide no guarantees for the Slovene minority.

Tito added, however, that he would prefer outright annexation of Zone A by Italy to Italian assumption of occupational responsibilities. He concluded that Trieste would remain a trouble spot until a bilateral solution was found.

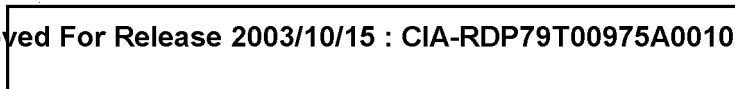
Comment: Rumors and press reports of an interim solution have been rife during the past few weeks. Although both the United States and Britain have issued denials and Yugoslav and Italian newspapers have commented unfavorably on the plan, []

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WESTERN EUROPE

8. West German moderates oppose basic changes in EDC treaty:

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Bundestag leader Carl Schroeder, who reflects the sentiments of many Christian Democrat deputies, states that his party wants no basic changes in the EDC treaty and will oppose any proposals for an independent West German army.

Schroeder believes that the European Army project can be salvaged if the United States and Britain will definitively state that the failure to ratify EDC will result in the withdrawal of the bulk of their troops, leaving only a thin defense line in Germany.

Comment: Although most Bundestag deputies probably do not want basic changes in the EDC treaty, nearly all of them would agree to some modification of the restrictive provisions in the contractual arrangements, particularly those on decartelization and war criminals.

President-elect Eisenhower's statement to Chancellor Adenauer supporting the EDC treaty appears to have had little effect thus far on West German political circles.

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