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3. Tentative Soviet-Belgian agreement calls for tripling annual trade:

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Belgian representatives have informed COCOM that their government has tentatively agreed on a three-year extension of its present trade pact with the USSR.

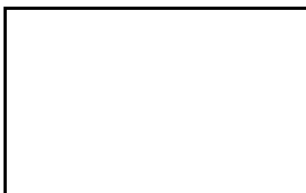
Belgian imports in the first year are to total between \$45,000,000 and \$50,000,000 and include \$10,800,000 worth of manganese ore, \$1,600,000 of other "strategic" raw materials, and important quantities of anthracite, cereal grains and wood and petroleum products. Belgian exports are to include \$20,000,000 worth of textiles and no commodities of possible strategic importance except 10 small refrigerator ships.

Comment: This tentative agreement would triple annual Soviet-Belgian trade over 1952. It is in line both with 1953 trade increases between the USSR and other Western European countries, and with Malenkov's 8 August statement that the current Soviet efforts to expand trade with the West will be pursued "with still greater insistence."

FAR EAST

4. Important changes in Peiping's foreign policy seen possible:

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The American consul general at Hong Kong sees a "good possibility" that a recent editorial in the official Chinese Communist Party organ may foreshadow important changes in Peiping's foreign policy. The statement, contained in a lengthy endorsement of Malenkov's 8 August speech, calls for the "resumption and strengthening of (China's) normal relations with Far Eastern and other countries..."

Comment: The summarized text of the editorial supports the view that Peiping, in the hope of gaining China's seat in the UN and inducing a reduction in Western trade restrictions, may follow the Soviet lead in attempting to improve relations with certain non-Communist countries without altering its basic hostility to the non-Communist world.

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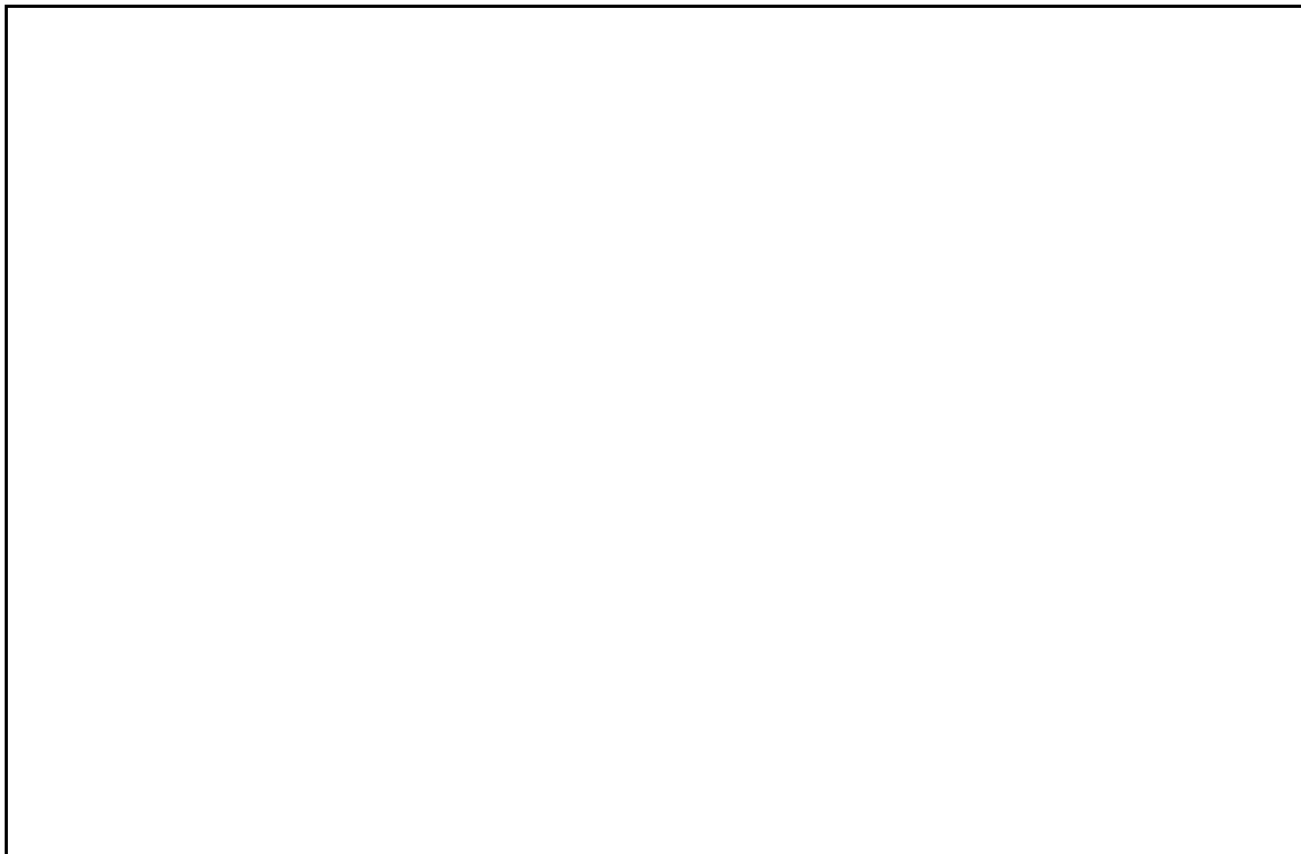
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The Peiping regime may therefore become increasingly conciliatory in dealing with the non-Communist governments of India, Burma, Indonesia, Pakistan, Denmark, Sweden, Switzerland and Finland, with which it has full diplomatic relations. It may also encourage the establishment of full diplomatic relations with Great Britain, Norway, Israel, the Netherlands, Ceylon, Afghanistan, and Yugoslavia, which recognize it. Finally, it may make new overtures for recognition by certain other governments, such as the remaining Commonwealth nations and France.

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WESTERN EUROPE

6. Comment on Soviet-East German negotiations:

The evident aim of the 22 August statements concluding the Soviet-East German negotiations in Moscow is both to thwart West German participation in European defense plans and to lessen East German discontent. Malenkov's statement that the

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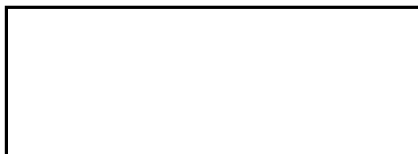
"whole world will pay attention to our sincere desire to ensure a peaceful settlement of the German problem" suggests that the talks were designed to create the impression of Soviet good faith in both parts of Germany.

In West Germany, the statements are more likely to help Chancellor Adenauer in the 6 September elections than to harm him. Since Communist terms for German unity have obviously not advanced beyond those in the unacceptable 15 August note, these new developments will, if anything, probably suggest to West Germans that the Kremlin is interested mainly in defeating Adenauer and strengthening the tottering East German regime. Malenkov's singling out of Adenauer as a chief enemy may well raise the latter's status at home.

Except for the promised release of German prisoners of war not convicted of "particularly wicked crimes," the tangible Soviet concessions outlined in the concluding communique will affect only East Germany. The promise of economic assistance, including food shipments, is evidently a recognition of the economic sources of East German discontent highlighted by the 17 June riots.

7. Western officials suspicious of East Germany's new trade permit policy:

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The West German Economics Ministry reports that the East German government is approving West Berlin trade permits in record numbers since it took over this responsibility from Soviet occupying forces on 17 August.

While officials in Bonn are gratified by this development, they suspect that the reason for the change in apparent responsibility is to grant the East German government more bargaining authority in East-West German interzonal trade negotiations. Consequently, they believe that East Germany may become even "nastier" than the Soviet Union about approving the permits if current and subsequent interzonal trade negotiations fail to satisfy them.

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