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GENERAL

1. Divergent approaches of Britain and continental countries are apparent in East-West trade talks:

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The US observer at the Economic Commission for Europe meeting on East-West trade, which opened this week in Geneva, is "impressed with the sharp differences" between the position of the UK and that of the other Western European

delegations.

The observer states that Britain sees little value in multilateral talks, and adds: "The UK on the one hand is confident of its ability to barter successfully with the Soviets on a bilateral basis, while France, Denmark and other continental Western European countries are not."

He points out that Britain wants to obtain up to 1,000,000 tons of coarse grain from the USSR, but is not prepared to present before the Commission a list of the goods it would offer in exchange. France, on the other hand, intends to comply fully with Chairman Myrdal's suggestions for an exchange of information on both grain requirements and counter-deliveries.

The French list of available exports to Eastern Europe covers a rather wide range, principally construction equipment, machinery, textiles, and cargo ships of unspecified tonnage. France is determined "to go to all reasonable lengths" both to obtain more background information on possibilities of trade with the USSR and to make it impossible for the Soviets to blame France should the meeting fail.

The US observer considers that Western European collaboration on a common trade policy is "clearly desirable" in order to avoid the "excessive danger of Soviet blackmail."

Comment: In recent bilateral negotiations the Soviet Orbit has been doing some hard bargaining, with decreasing success, to obtain Western strategic materials in exchange for needed commodities.

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The Western European nations, faced with a decline in their living standards, are eager to obtain cheap Eastern European raw materials and foodstuffs. In addition, both France and the UK are intensifying their search for non-dollar markets for their industrial products in view of the declining opportunities to develop sales to the dollar area.

FAR EAST

2. US Embassy in Manila forecasts Huk military disintegration:

3.3(h)(2)

The military disintegration of the Huks as early as November appears likely if present pressures are continued, according to the US Embassy in Manila. Unless a "big and victorious event in November," promised by their leaders, is sufficiently successful to ensure eventual victory, the Huk rank and file will cease its struggle.

The embassy adds that there is reason to believe that the Chinese Communists are quietly organizing a stronger, more disciplined and more clandestine force with which eventually to supplant the Huks.

Comment: Huk leadership has long been recognized as Communist, but the strength of the movement has been solidly based on agrarian discontent. With the armed forces providing the countryside with a certain degree of security and with a mild improvement in economic prospects, support from this quarter becomes difficult to maintain.

The prediction of a "big event" in November is obscure but may derive from a Huk belief that the elections at that time will inevitably be as corrupt as those two years previously and that a resulting popular revulsion toward the government will enable the Huks to bid for power.

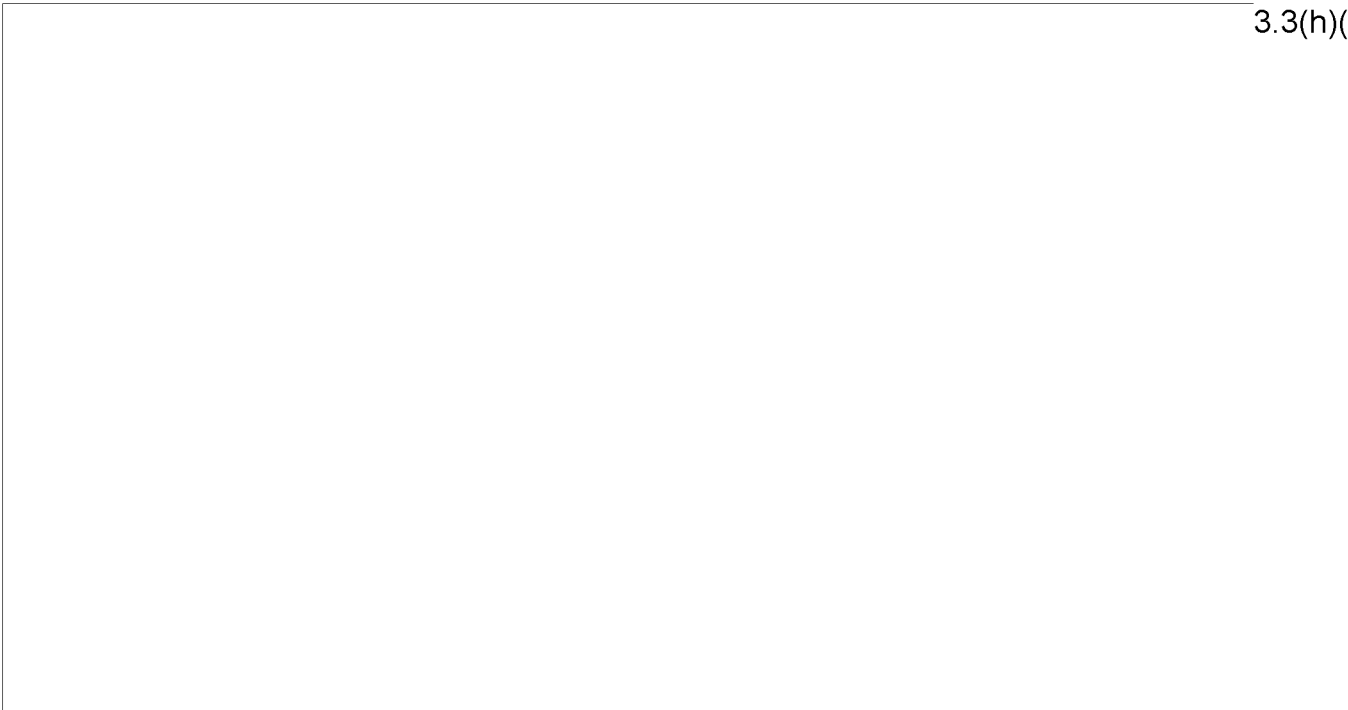
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EASTERN EUROPE

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4. Merger of Satellite airlines under Soviet direction reported:

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the state-owned airline companies of Eastern Europe were incorporated on 20 July into the Soviet Civil Air Fleet (Aeroflot). This decision reportedly was taken at a conference in Moscow about 15 July. Control of the merged Satellite airlines has been assumed by Soviet General Zigarev, representing Marshal Zavoronkov, Chief of Aeroflot.

Comment: There is no other information on the alleged merger. Such an amalgamation would be a logical development, since it would partially rectify the operational and maintenance difficulties which have beset the Satellite airlines. The elimination of duplicate routes

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and the establishment of central repair facilities would considerably mitigate chronic shortages of planes, spare parts and trained personnel. The Soviet Union already actively participates in the joint-stock companies which control the Hungarian and Rumanian civil airlines.

WESTERN EUROPE

5. Franco may raise Spain's price for Western defense cooperation: 3.3(h)(2)

The US Ambassador in Madrid reports that American press stories concerning the quid pro quo General Franco will demand for Spain's contribution to Western defense pose the greatest

problem in current US-Spanish military and economic negotiations. Citing an article in the current issue of Newsweek which quotes the Spanish Foreign Minister to the effect that Spain will expect at least 1,200,000,000 dollars in American assistance, the ambassador warns that such stories are inflating the already excessive desires of the Spaniards for economic aid beyond that apparently contemplated by the US Government.

Comment: General Franco, who has taken the stand that the Western democracies must make reparations for years of neglect of their potential Spanish ally, blames present chaotic economic conditions on past US reluctance to extend Marshall aid to Spain on an equal basis with other European countries.

LATIN AMERICA

6. Netherlands West Indies Government adopts anti-strike measures:

3.3(h)(2)

The Netherlands West Indies Government is taking drastic action as a result of the recent strike at the Lago oil refinery, which is second only to Abadan in refinery capacity.

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The measures include dismissal of the Governor of Aruba because of his failure to take police action when so ordered, deportation of twelve Surinam and British Guiana agitators suspected of Communist leanings, strictest application of police measures, and introduction of new legislation limiting the legality of strikes.

This action is due, in part, to the complaint of the Lago Oil and Transport Company that protection had been inadequate and to its demand that threats to American personnel must be stopped.

Comment: The employees of the Lago refinery, owned indirectly by the Standard Oil Company of New Jersey, returned to work on 18 August after a week-long strike, during which period operations at the refinery were reduced to 65 per cent of capacity. The dispute was settled with the aid of a government mediator and the employees obtained a 16 per cent general wage increase. The government's action will do much toward lessening future strike threats.

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