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SECURITY INFORMATION

14 August 1953



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CENTRAL INTELLIGENCE AGENCY



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SOVIET UNION

1. British Foreign Office comments on Malenkov speech:



The British Foreign Office comments that, on first analysis, the economic aspects of Malenkov's speech give an impression "of very great power."

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The Foreign Office feels that the new economic program is genuine. It sees no indication of the slackening of industrial development or armament program, but states that the Soviet Union now appears able to devote more efforts and resources to consumer goods.

The concessions in the agricultural field indicate to the Foreign Office an intention to correct the imbalance between the peasants' contributions and their rewards. The fact that the army is largely recruited from peasants may be a factor in these concessions.

Comment: The agricultural concessions appear to be aimed at improving production through increased incentives. It is unlikely that these concessions were intended to appeal to peasant sentiment in the army.

FAR EAST

2. Japanese set conditions for the renewal of relations with USSR:



Japanese Foreign Ministry officials believe Malenkov's remarks on Japan in his recent speech represent no change in Soviet policy toward Japan, but were merely further tactics to build up popular pressure to overthrow the Yoshida government.

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They publicly assert that the USSR must make the first move for a renewal of relations, and set as conditions Soviet acceptance of the substance of the San Francisco treaty,

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return of the Habomai and Shikotan Islands, abrogation of the part of the Sino-Soviet treaty directed against Japan, and return of Japanese war prisoners.



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Comment: The Japanese have maintained a cautious attitude toward recent Soviet gestures as they are aware that no official Soviet commitment has been made. Popular Japanese pressure for trade and the normalization of relations with the Soviet bloc probably will make it difficult for the government to rebuff a bona fide offer for the renewal of Japanese-Soviet relations.

3. Comment on changes in North Korean leadership:

 Recent changes in North Korean leadership, as disclosed by Pyongyang broadcasts, indicate that the Soviet-trained Korean faction has increased its power, largely at the expense of domestic elements formerly associated with the South Korean Communist movement.

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While the tightening of Soviet control is not reflected in the government line-up, in which there seems to be a balance among the Soviet, Chinese and domestic factions, it does appear in the more important party apparatus. Soviet-Koreans have been appointed to four of the five positions in the newly-reorganized central political committee of the North Korean Labor Party and to the majority of posts on the central organization committee.

Moscow's decision to allocate one billion rubles, approximately \$250,000,000 at the official exchange rate, for North Korean economic rehabilitation is another indication of Soviet efforts to control North Korean affairs.

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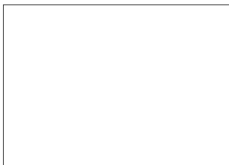
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SOUTHEAST ASIA

4. Viet Minh reportedly to concentrate on delta during next campaign season:

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a high-level Viet Minh conference was held in mid-July to plan operations for next fall. It was allegedly decided that two divisions would be used against the southern part of the delta and three divisions against the northwestern part.



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There have been indications that the Viet Minh offensive in Laos will be renewed this fall, but the two divisions which are unaccounted for in the alleged plan are not well located for such an operation.

5. Moslem dissident organization in Indonesia allegedly extends its activities:

The Darul Islam, Moslem dissident organization which seeks the establishment of an Islamic state in Indonesia, has sent representatives to other Moslem countries in an

effort to obtain support 

Comment: The new leftist-dominated government has stated that it will give a high priority to military action against the Darul Islam which has about 10,000 armed men. In the past the Darul Islam's activities have been limited to Java, but there are now indications they are being expanded in other areas.

Various individuals in the Masjumi, the principal opposition party to the new leftist cabinet, reportedly have connections with the Darul Islam, but any extensive rallying to its support would seriously divide the government's opposition.

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SOUTH ASIA

6. Comment on disorders in Ceylon:

[REDACTED] The widespread strikes, disorders, and sabotage which occurred in Ceylon on 11 and 12 August may be interpreted as an organizational triumph for Ceylon's leftist parties, including the Communists. These parties have never before worked in such close cooperation as they apparently did on this occasion and they have never before successfully capitalized on popular discontent.

The Ceylonese government may be faced with a critical problem if the leftists continue to work together to keep the populace aroused.

NEAR EAST - AFRICA

7. Arab Legion anticipates Israeli military action in Jerusalem:

[REDACTED] According to the Arab Legion, Israeli troops and vehicles moved into the Jewish section of Jerusalem during the nights of 9, 10, and 11 August. The legion fears this may presage an attack against Mt. Scopus within the next week.

Israel might make such an attack at this time because General Bennike, new chief of staff of the UN Truce Supervision Organization, is absent and General De Ridder, recent chairman of the UN-sponsored Mixed Armistice Commission, has been relieved of duty.

Comment: The Jordanians have repeatedly stressed the likelihood of Israeli expansion by force of arms. It is not possible, however, to determine whether Israel, which wants and is capable of seizing Mt. Scopus, is prepared to risk Western opposition to such a move.

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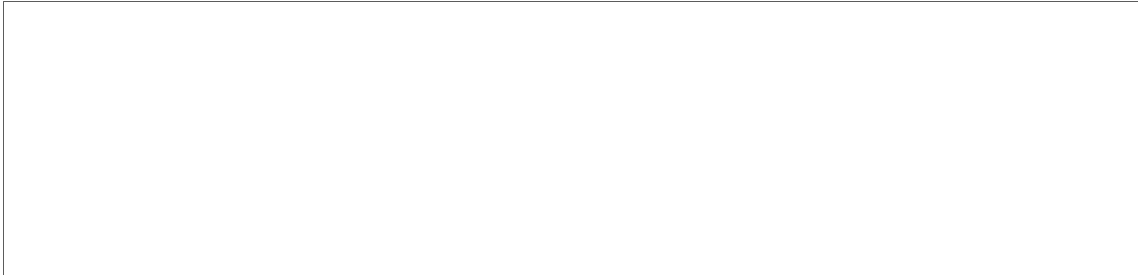
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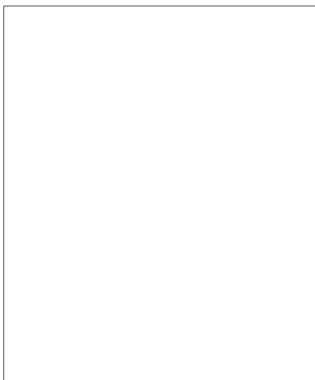
8. Nasr reportedly will assume Egyptian premiership:



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Comment: Since the proclamation of the Egyptian republic on 18 June, other reports from Cairo have indicated that Colonel Nasr intends to take over the premiership in the near future to complete his assumption of overt authority in Egypt. Nagib reportedly has frequently complained about the ineffectiveness of his present position.

9. Suez Canal Company under attack by Egyptian regime:



The semiofficial publication of the Egyptian military regime, in an article on 15 July, violently attacked the Suez Canal Company, according to the company's representative in Cairo. The article allegedly emphasized that there is no question of nationalizing the company but simply of annulling the franchise without indemnification because of the company's many infringements. It included new accusations, such as the company's direction from

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London "by clandestine encoded telegrams" and its failure to retire British government shares.

On 21 July the Suez Canal Company in Paris advised its representative in Cairo that the article was considered important enough for him to "try to see the military ministers" about the matter.

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Comment: This is the first clear indication that the military regime may make the Suez Canal Company a target of anti-Western propaganda and demand control of the company before 1968, when the present concession expires.

Both Britain and France have expressed fear that evacuation of British troops from the canal zone will invite Egyptian agitation for obtaining control of the company.

WESTERN EUROPE

10. Coalition with Christian Democrats seen as Socialists' chief hope for part in new Bonn government:

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Comment: The Socialists, while eager to participate in the government, have long been opposed to serving under Adenauer. They may now consider it necessary to accept him as chancellor, or may believe that the Christian Democrats themselves will drop him in the event of a severe electoral setback.

Earlier this week Jacob Kaiser, who is at present a cabinet minister and eager to become chairman of the Christian Democratic Party, allegedly suggested to Ollenhauer the possibility of a Socialist-Christian Democratic coalition without Adenauer. At present, however, Adenauer's hold on his party appears unshakeable.

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