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SOVIET UNION

1. Orbit economic council reduces price of timber sold to the West:

<u>Comment:</u> Previous reluctance by Orbit countries to lower the prices of their raw material exports in face of declining world commodity prices has hampered their policy of promoting trade with the West. The reduction in price of one important export commodity, together with recent reports of Soviet grain and petroleum offers at reduced prices, foreshadows a greater degree of success in the Orbit's effort to fulfill increased requirements of consumer and industrial goods by an expansion of East-West trade.

FAR EAST

2. Large influx of Chinese Communist troops into North Korea reported:



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<u>Comment:</u> Three Chinese Communist armies, approximately 115,000 men, <u>hav</u> 3.3(h)(2) returned to China from Korea, probably just before the armistice was signed. These 60,000 troops may be part of their replacements, although technically this movement is in violation of the armistice agreement. The agreement states that only 35,000 troops can be rotated into Korea by either side on a man-for-man basis in any one calendar month.

SOUTHEAST ASIA

3. <u>Viet Minh military communications increasing</u>:

<u>Comment</u>: If the Viet Minh directs its primary operations against the Tonkin delta this fall, it is possible that the campaign will build up gradually from the present level of fighting without a sudden commitment to battle of large Viet Minh forces.

NEAR EAST - AFRICA

4. Soviet embassy reportedly urges Kashani to reorganize Iranian National Front:

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Approved for Release: 2019/07/10 C02869426 3.5(c) IOP SECKEI SECURITY INFORMATION Comment: A reorganization of the National Front under the persuasive Kashani would appeal primarily to the ultranationalists, and could develop into a serious threat to Prime Minister Zahedi. The National Front would probably spearhead opposition to an oil settlement with Britain as well as attack many domestic policies. Kashani has never announced support of Zahedi, and he reportedly retired from political life following the new regime's assumption of power. The mullah would probably take aid from any source, although previous reports that he had accepted money from both Britain and the Soviet Union have not been confirmed. Turkish radar tracks overflights of unidentified aircraft from 5. Bulgaria: Two unidentified aircraft on 28 September and four unidentified aircraft on 2 October crossed the Bulgarian border and penetrated nearly 20 miles into Turkey, 3.3(h)(2)Four Turkish fighters are standing by to intercept future intruders.

> <u>Comment</u>: This report is the first available evidence of unauthorized planes flying over Turkey from Bulgaria.

6. Britain emphasizes additional requirements for Suez agreement:

The British Foreign Office considers that 3.3(h)(2) provisions for the automatic availability of the Suez base in event of war and for

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British air force staging fields are the two crucial points still at issue in the Anglo-Egyptian talks.

Other unresolved issues include the time when the evacuation of British troops is to start, the question of uniforms for the British technicians, and the number of technicians to remain during the final phase of the agreement. Britain also considers that the British assistant to the Egyptian base commander must be able to give orders to the technicians.

The cabinet insists that the agreement specifically mention freedom of transit of the canal, in order to ensure parliamentary approval.

<u>Comment</u>: This suggests that the negotiations will be protracted. To date there has been little discussion of such technical points as the staging fields and the authority to be exercised by the British assistant to the base commander.

Ambassador Caffery in Cairo states that Egypt was so close to breaking off the negotiations on 7 October that Vice Premier Nasr had already informed the Egyptian ambassador in Washington that the rupture would occur that day and had instructed Cairo editors in the line they were to follow. At Caffery's urging, the plan was changed.

WESTERN EUROPE

7. French suspect secret Turkish-American agreement:

Statements made by French premier Laniel and Foreign Minister Bidault on 3 October in Ankara led Turkish officials to believe that their visitors

were trying to determine whether there were any Turkish-American understandings outside of the NATO framework.

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the French complained that the NATO countries were not equally trusted or sufficiently informed on the development of secret weapons by certain NATO members. They reportedly proposed without success that they and the Turks agree to exchange any information they obtain on such secret weapon development.

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Comment: This is further evidence of sensitivity over France's subordinate role in NATO matters in relation to Britain and the United States. General Juin has publicly expressed his dissatisfaction over the lack of adequate atomic weapons information.

The Turkish government's refusal to commit itself to Bidault and Laniel offers further confirmation of its determination to avoid compromising its relations with the United States.

8. Reactions to the Anglo-American announcement on Trieste:

3.5(c) British announcement on Trieste is highlighted by the threat to bring the affair before the United Nations. This threat is indicative of the seriousness with which the Yugoslavs view this move; at the same time it suggests that they intend to protect their interests by diplomatic measures rather than by military force. Every practical means, however, including troop movements, is likely to be used to intimidate the Western powers in plans to carry out their proposal.

Tito may go so far as to threaten to intervene militarily in Zone A, under the terms of the Italian Peace Treaty, if Italian troops are brought in. It is unlikely, however, that he would carry out this threat.

Yugoslav relations with the West will be temporarily exacerbated, but no rapprochement with the Soviet Union is to be anticipated as a result.

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In Italy, the reaction of the governmentcontrolled radio suggests that the government is interpreting the American-British announcement as a victory for the policies of Premier Pella. Though the proposal falls short of Pella's latest public demand for a plebiscite in the entire free territory and has provoked some hostile Italian demonstrations in Trieste, it is actually in line with what Italian leaders have privately urged. It will probably prolong the tenure of the Pella government and help halt the recent deterioration in official Italo-American relations. In any case, Italian parliamentary leaders have lost a major excuse for delay in ratifying EDC.

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