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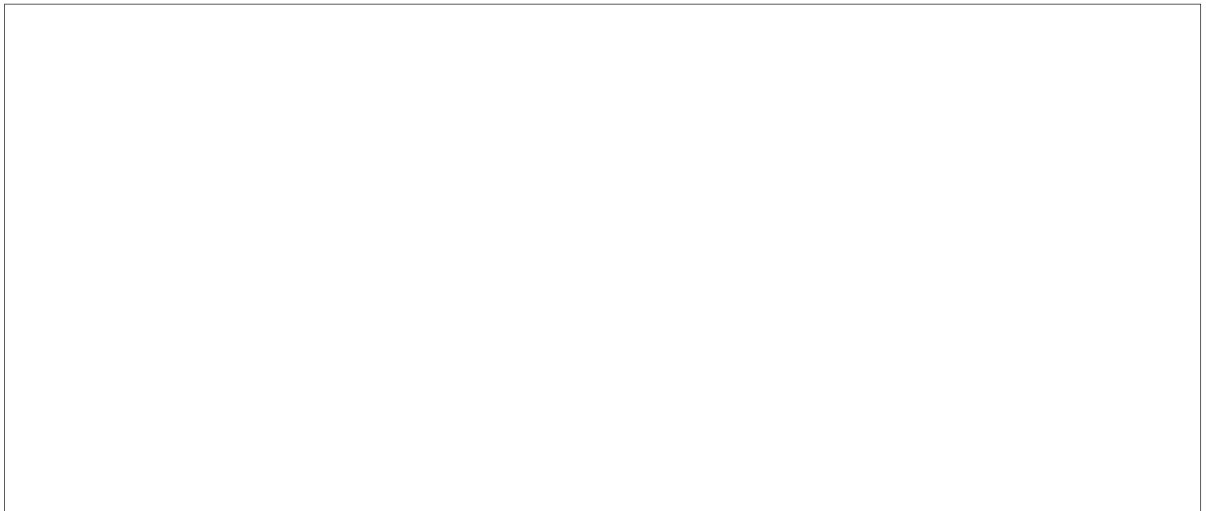
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~~TOP SECRET~~**SOVIET UNION****1. Grain crops in Ukraine damaged by drought:**

 Agricultural officers of the American embassy in Moscow believe that as a result of drought conditions, grain yields in areas of the Ukraine and nearby regions, observed in late July, will range from around one half to three fourths of the postwar average. They conclude that the current grain harvest in the Ukraine as a whole will not exceed two thirds of the average crop. The damage is greater in the central and southeastern Ukraine than in the other areas.

Comment: The drought damage in the Ukraine, where normally about one fifth of the total grain output of the USSR is produced, seriously impairs the chances of a large increase in grain production over last year. However, crop prospects in the remaining areas of the Russian Soviet Republic observed by embassy officials have ranged from fair to good. Other large areas of the USSR have not yet been observed.

Increasing grain output is of crucial importance to the Soviet agricultural and consumers goods programs and is necessary for any lasting large-scale expansion of Soviet foreign trade with the West.

FAR EAST**2.**~~TOP SECRET~~

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3. Possible Chinese Communist operation against Tachen Islands:

There have been several indications of a Chinese Communist intention to invade the Tachen Islands in the near future, according to unevaluated reports from the Chinese Nationalist Ministry of National Defense.

These sources state that six large landing craft carrying about 10,000 troops arrived on 27 July at a point about 50 miles north of the Tachens. They say that on 29 July, approximately 100 enemy vessels were sighted moving about 15 miles north of the Tachens.

Comment: Peiping has been asserting since 9 July that the United States is contemplating extending the responsibility of the American 7th Fleet to cover "certain" offshore islands, and the Communists may have decided to move against the Tachens and perhaps other offshore islands as well. However, reports from the Nationalist Ministry of Defense have generally not been reliable.

SOUTHEAST ASIA

4. Vietnamese desertions increasing in Tonkin:

According to a source of the American Military Aid and Advisory Group in Saigon, 1,080 men deserted from Vietnamese military components in Tonkin on 28 July alone, taking 600 weapons with them. The Vietnamese 50th Battalion, normally 900 strong, has been reduced by desertions to 120 men, who have been disarmed to discourage desertions and prevent further loss of arms.

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Comment: Immediately prior to the cease-fire agreement Vietnamese desertions in Tonkin averaged about 100 each day. Most of these occurred in militia and other semimilitary units, and it is probable that many more of the approximately 80,000 Vietnamese in such units in Tonkin will desert prior to the French withdrawal. Probably a smaller proportion of Vietnamese in regular army units will desert, but even these desertions are expected to continue at a very high level.


Most of these peasant soldiers will probably return to their farms and hide their weapons. They are potential recruits for any future expansion of the Viet Minh forces.

5. Comment on Thai reaction to former premier's emergence in Peiping:



The Thai government on 31 July reacted to an article by former Thai premier Pridi in the Peiping Peoples' Daily by alerting the armed forces to face the possibility of a Communist-inspired uprising. A government spokesman described the article, which called for the overthrow of the Phibun regime, as the first step toward a Communist attack on Thailand.

This panicky reaction suggests that the Thai government may be overlooking the main significance of Peiping's move. Peiping's use of Pridi at this time appears to be a major step in a prolonged psychological warfare campaign to cause dissension within the Thai government. Pridi had a large, enthusiastic following among Thai intellectuals and worked satisfactorily with the present Thai leaders in the past. Hence, he is the most effective agent Peiping could have chosen for such a campaign.

The Communists are not believed to have the potential for bringing about an internal uprising in Thailand. Furthermore, such an outbreak would be out of step with the Communists' current emphasis on peaceful coexistence. 

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LATIN AMERICA

6. Comment on fighting between military factions in Guatemala:

The fighting which broke out on 2 August in Guatemala City confirms earlier reports of smoldering resentment on the part of the regular armed forces against Castillo Armas' Army of Liberation which gave the regular army a humiliating defeat in the June revolution.

As of 2400 hours EDT, the military situation in Guatemala City was still confused. The small part of the Army of Liberation in the capital had reportedly been captured; the main

body remained in Chiquimula, about 60 miles from the capital. Elements of the regular army were evidently at odds with each other, though all professed loyalty to the junta.

Colonel Monzon, the representative of the regular army on the junta, told Ambassador Peurifoy earlier in the day that the fighting was the result of provocations by undisciplined members of the Liberation Army. He was fearful that he would be blamed, and supposed that this would be the end of the junta. Such a split has evidently not developed. Nevertheless, the day's events constitute an immediate blow to Castillo's prestige.

The Communists appear not to be involved in the fighting in any way. Guards at embassies housing ex-President Arbenz and other Communists and pro-Communists have been doubled to prevent their escape.

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