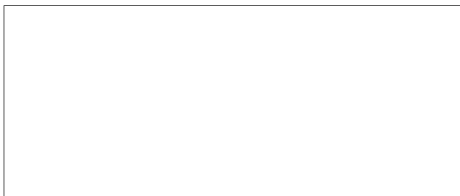




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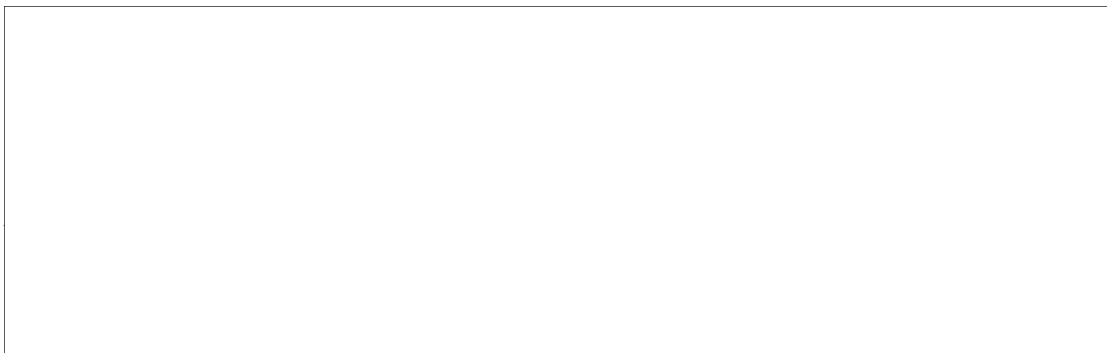
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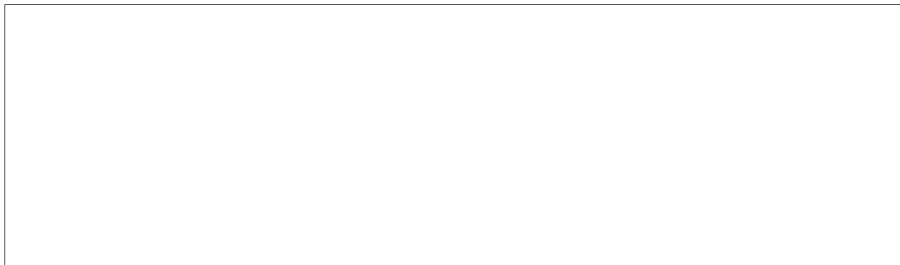


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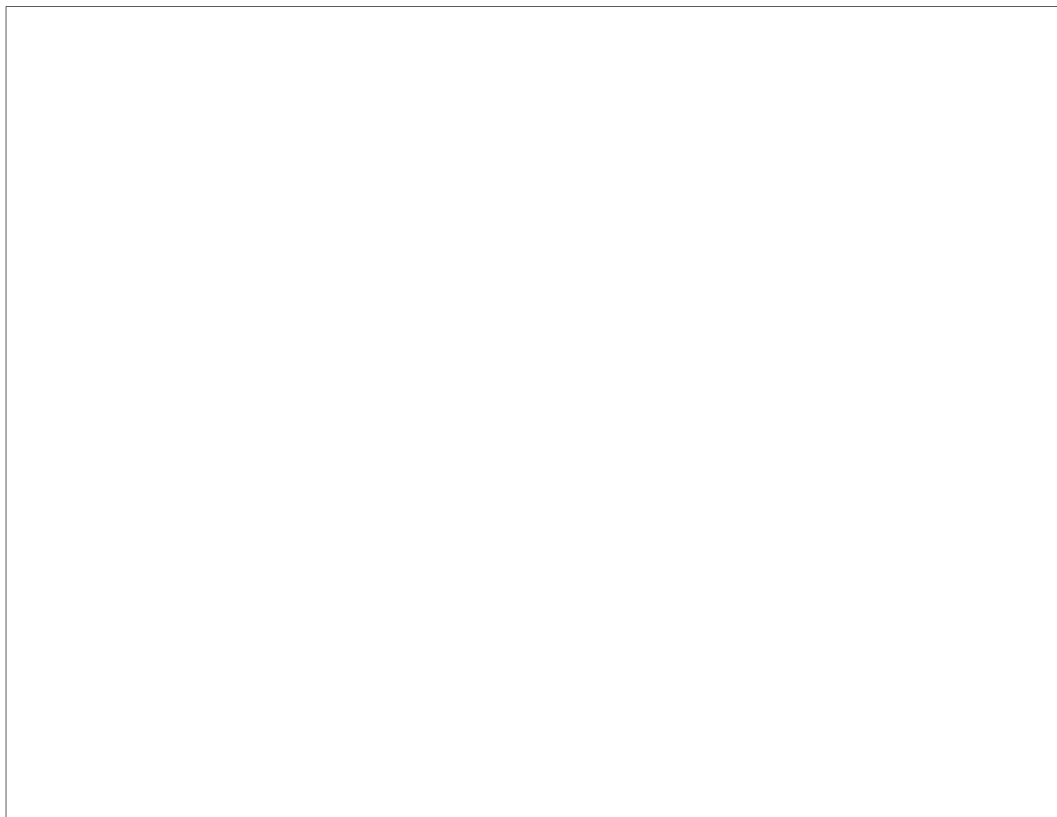
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1. [] **SOVIET NUCLEAR AGREEMENT WITH
POLAND REPORTED**



The Soviet Union announced publicly on 29 August that it will produce 2,000-kilowatt atomic reactors and cyclotrons with power up to 25 Mev for Poland, Czechoslovakia, Rumania, Hungary, Bulgaria and East Germany. For Communist China, it will produce a 6,500-kilowatt atomic reactor and a 25-Mev cyclotron. [] Prepared by OSI)

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2. COMMENT ON EGYPTIAN-ISRAELI SITUATION

[REDACTED]

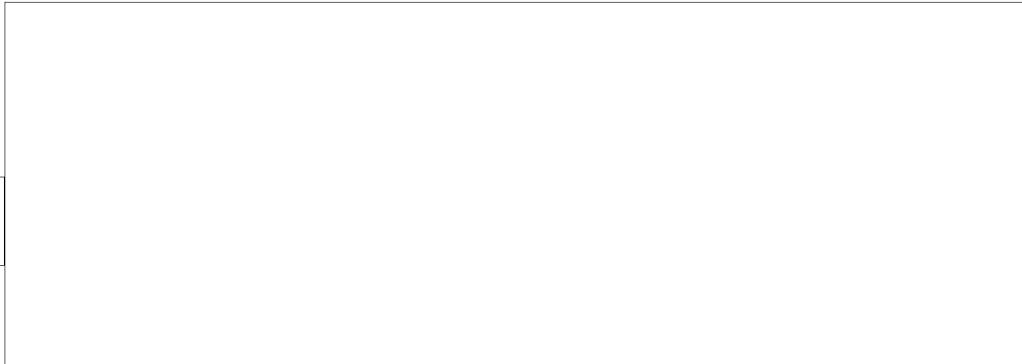
The Israeli attack late on 31 August against an Egyptian military post at Khan Yunis in the Gaza strip may lead to full-scale hostilities between Egypt and Israel.

This "large-scale" attack, according to an Israeli army spokesman, was in retaliation for the destruction of a village 25 miles from Tel Aviv by Egyptian raiders during the night of 30-31 August, or only a few hours after Egypt had accepted UN Truce Supervisor Burns' proposals for a cease-fire agreement. Israel has made no further reply to Burns' proposals for a cease-fire since its letter of 30 August stating that it cannot accept them until Egypt admits responsibility for starting the recent series of raids.

The government-controlled Egyptian radio has broadcast that there will be "only terror" from now on. "The Palestine war," it said, "has today entered a new state" and "the Arabs are on their way to Tel Aviv."

[REDACTED]

**3. BURMA SEEKS MERCHANT SHIPS FROM USSR UNDER
BARTER AGREEMENT**

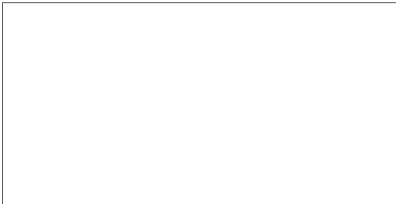


Comment

Burma is anxious to build up a small merchant marine, mainly to save transportation costs incurred in its extensive trade with India. It probably hopes that ships can be obtained under the Soviet-Burmese barter agreement concluded earlier this year.

It is unlikely that the USSR, which is itself purchasing new tonnage from the West, would sell Burma ships of the tonnage sought. It might, however, for political reasons offer the Burmese some smaller vessels.

4. BRITISH INCLINED TO FAVOR LAOTIAN PLEA FOR INDIAN SUPPORT

 The British Foreign Office considers worthy of serious consideration a suggestion that the Laotian crown prince, who is to visit New Delhi next month, make a strong plea for Indian support against the Chinese Communists and the Viet Minh in connection with the disputed northern provinces of Laos. The Foreign Office is not optimistic, however, that there will be any positive Indian reaction.

Comment

The American embassy in Vientiane has suggested that the best approach to a peaceful solution of the Laotian government's dispute with the Pathet Lao over the two northern provinces would be to persuade Nehru, who regards Laos as being in the Indian sphere of influence, to put pressure on the Communist powers. The American embassy in New Delhi doubts that an approach to Nehru along these lines would have the desired effect but believes such an approach would be worth making if only for the educational value to Nehru.

The favorable reaction of the British to this proposal reflects not only their concern to secure peaceful settlement of a problem arising out of implementation of the Geneva agreement, but also their long-standing desire to persuade Nehru to assume a larger role in the area.

5. **INDONESIAN GOVERNMENT REPORTED SEEKING AMNESTY SETTLEMENT WITH DISSIDENTS**

[REDACTED] The Harahap government is seeking to end the dissidence of fanatical Moslem groups through negotiations, [REDACTED]

[REDACTED] On the basis of feelers received from the Atjehnese before the present government came to power, envoys have been dispatched to arrange amnesty agreements with Atjehnese rebels in north Sumatra and the Darul Islam organization, whose chief stronghold is in central Java.

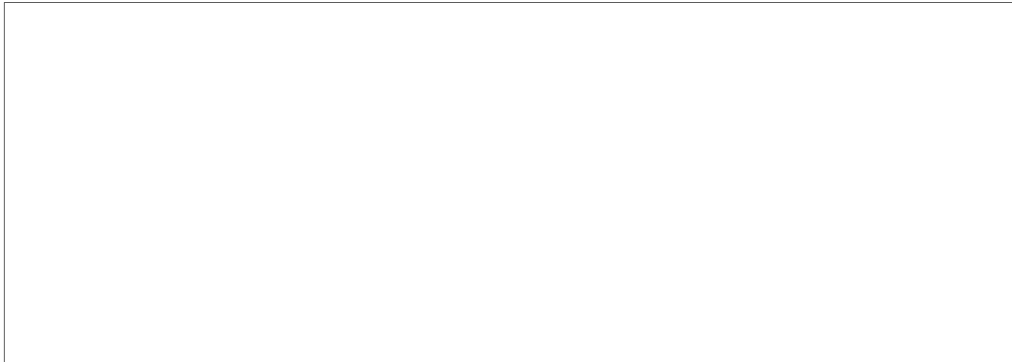
[REDACTED] Masjumi leaders believe that a peaceful settlement would gain them close to 5,000,000 votes from persons living in these areas in the forthcoming elections. [REDACTED]

Comment

Previous governments led by the Masjumi had been sympathetic to the view that the problem of Moslem insurgency could best be solved through negotiations rather than by military suppression, but had hesitated to undertake decisive action in the face of stiff opposition from President Sukarno and the National Party. The present regime, however, is showing greater willingness than its predecessors to stand up to opposition from these quarters.

Masjumi leaders are believed to have maintained close contact with the Darul Islam.

**6. REPORTED FRENCH PLAN FOR SULTAN WOULD
JEOPARDIZE MOROCCAN SETTLEMENT**



Comment

Any arrangement permitting Ben Arafa to retain even nominal religious authority would be considered by the nationalists as a betrayal of the understanding reached with Faure at Aix-les-Bains.

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7. COMMENT ON POSSIBLE REPLACEMENT OF CZECH PRESIDENT ZAPOTOCKY



The retirement or death of Czech president Antonin Zapotocky as a result of the heart attack he is reported to have suffered on 30 August would result in little or no change in the policies and stability of the Czech regime. For the past two years the supreme powers of the state have been exercised by a collective leadership in which Zapotocky has played a gradually less prominent role. While the presidency has lost some of its importance since President Gottwald's death in 1953, the post still carries considerable prestige both within the regime and among the public.

The most likely successor to the presidency is Premier Wilem Siroky, a Slovak, 53 years old, who has been active in the Communist Party since 1920. Other possible candidates include First Deputy Premiers Alexej Cepicka and Jaromir Dolansky. The important factors in the choice, which will formally be made by the National Assembly, will probably be, as in the past, experience in government and leadership in party affairs.

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8. COMMENT ON PERON'S RESIGNATION MANEUVER



The dramatic staging of President Peron's resignation offer and its firm rejection by Peronista organizations on 31 August have probably achieved the obvious objective of strengthening the president's position by demonstrating his strong popular support. A near-record crowd reportedly responded to the Peronista Party's call for members to assemble and remain around Peron's office until he withdrew his offer. The General Confederation of Labor's call for a general strike in support of the president is reported to have been effective throughout the country.

Peron's address to the crowd made clear that the government's peaceful "pacification" tactics will be changed and that "pacification" will be imposed if necessary. This probably means that arrests and tension will continue, at least until there is a decline in anti-government attacks, which have been continuing on a small scale.

The army, which has held the dominant power position in the government since the 16 June revolt and which also believes firm steps are necessary for the regime's security, may try to dissuade Peron from extreme repressive measures. The top military leadership will probably continue to support Peron as long as he co-operates in suppressing controversial figures and policies, especially those responsible for the former attacks on the church. []