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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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SOUTHEAST ASIA

1. Burmese explain rubber shipment to China:

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In reply to an American protest against a planned second shipment of rubber to Communist China, the Burmese foreign minister informed the American ambassador that the shipment had been authorized because it had been contracted for prior to the institution of a licensing control system. He said that denial of the licenses would cause undue hardship to the firms involved.

The minister emphasized that henceforth it would be his government's policy to comply with the UN resolution concerning the shipment of strategic goods to China and that there definitely would be no more licenses issued for the export of rubber to the Chinese Communists.

Comment: Influential Burmese officials with a financial interest in the trading firms involved may have influenced the decision to permit the rubber shipments. This factor will be of continuing importance in Burma's policy on the export licensing of rubber.

NEAR EAST - AFRICA

2. Mossadeq states he is no longer interested in settling oil dispute:

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Prime Minister Mossadeq told Ambassador Henderson just prior to the latter's departure on 31 May that he is no longer interested in settling the Anglo-Iranian oil dispute. He said that in view of the British attitude, it would be impossible to find a solution acceptable to the Iranian people.

Mossadeq insisted that he must know as soon as possible whether Iran could expect financial assistance from the United States in the absence of an oil settlement. He warned that if aid were refused, his government would fall and be followed by a Communist-dominated one.

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Comment: It has become increasingly apparent in recent months that a settlement of the oil issue should not be expected. The several small oil sales which have been made may be encouraging the prime minister to believe that Iran will eventually be able to market its oil without the necessity of settling with Britain.

In the past year Mossadeq has used the threat of communism several times in an attempt to get American financial aid.

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EASTERN EUROPE

4. Comment on Czech monetary reform:

The drastic monetary reform announced by the Czechoslovak government on 30 May reduces personal savings by over 80 percent and, through a preferential currency exchange rate, will be used as a weapon against "kulaks," private employers and speculators. The same decree abolishes rationing and establishes a new uniform price index in some cases several times higher than previous prices for rationed goods.

Although wages in the new currency are also increased, the reform will have the net effect of considerably reducing the workers' real income. The elimination of excess purchasing power is aimed at increasing labor productivity by forcing the worker to rely

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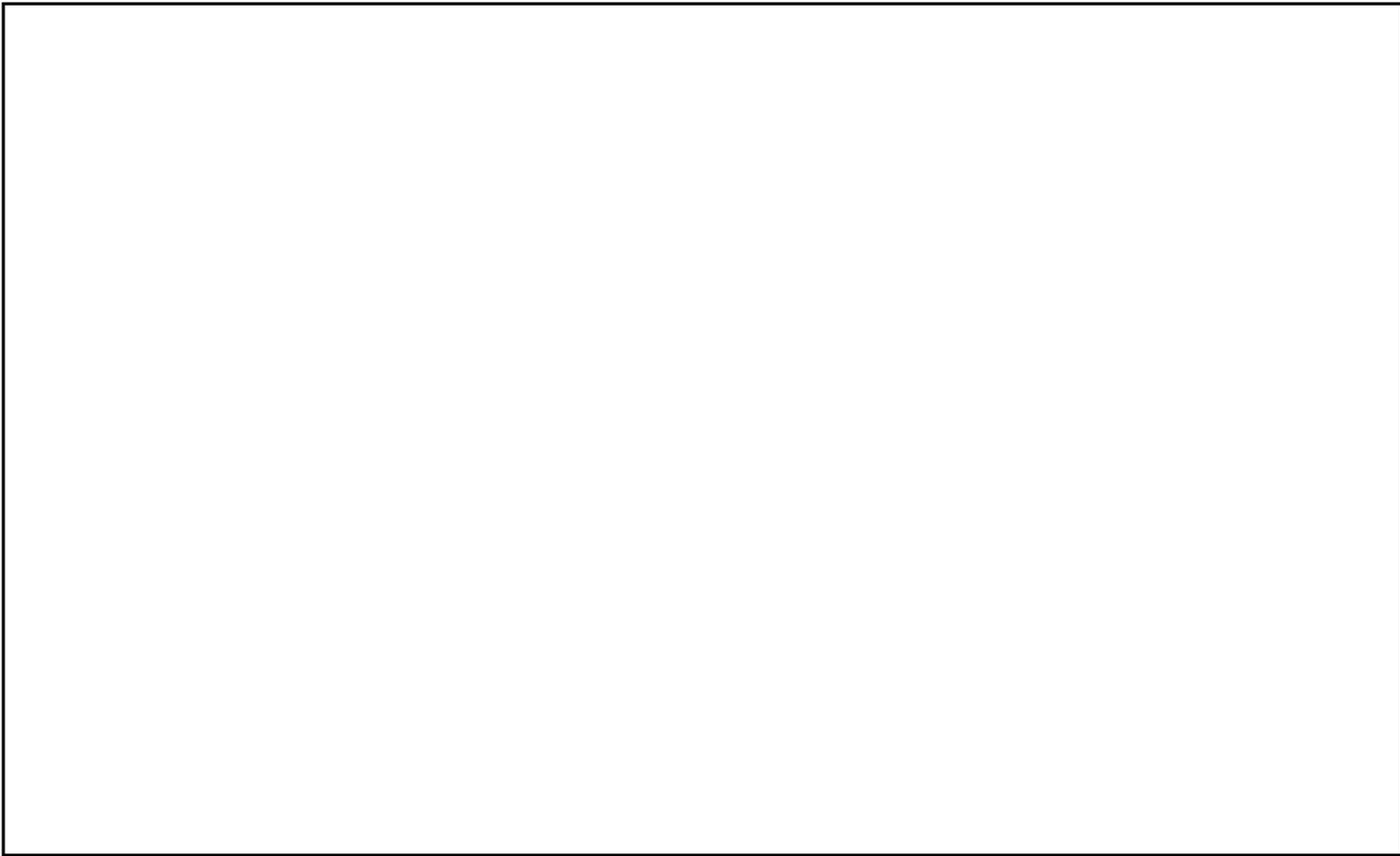
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solely on his current income. The reform will have no effect on foreign trade, however, since the Czech crown is not used as an international currency.

The fact that the government felt secure enough to undertake such a measure despite the disquieting effect it will have on the population is an indication of the effectiveness of Communist control.

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WESTERN EUROPE

6. French and German officials speculate on anticipated Soviet proposal on Germany:

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Both French and German Foreign Ministry officials believe that in any new quadripartite negotiations the Soviet Union would be likely to propose four-power control over a reunified Germany. While such a proposal would be unacceptable to the Western governments, French officials fear that the French populace might view the offer favorably.

West German officials declare that the Allied position is sufficiently strong to permit standing on the terms of the Allied note on Germany of 23 September. Meanwhile, Chancellor Adenauer is sending Herbert Blankenhorn to Washington as his personal representative to assure President Eisenhower that his government backs American views on future East-West discussions.

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