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GENERAL

1. West German trade delegation may go to Peiping:

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West German officials have hinted to Ambassador Conant that an official Federal Republic trade mission to Peiping may be desirable in view of the apparent success of British and French business groups there. German officials had earlier stated that they were having difficulty explaining to German businessmen the British deal with Peiping.

Comment: Such a mission would be the first official or semiofficial trade delegation to Peiping from a member country of the China Committee. The British and French missions to Peiping last month, which were unofficial, reportedly concluded agreements for the eventual movement of 40,000,000 pounds sterling worth of trade each way, but few actual contracts have been signed.

SOVIET UNION

2. Comment on Soviet MVD purges:

The purge of V. G. Dekanozov, Georgian MVD chief, has been followed by the removal of three other Georgian MVD officials, all of whom had previously held top positions in the police and intelligence apparatus on the All-Union level.

In the Ukraine, on 16 July the local press reported that P. Y. Meshik had been replaced as the republic minister of internal affairs by former Ukrainian MVD chief T. A. Strokach.

In addition to purging the MVD of its Beria elements, Soviet leaders are emphasizing the primacy of the party. Military leaders, local party plenums and meetings of party personnel in various ministries are reiterating their support of party decisions. Unity of leadership through the principle of collectivity is also stressed, indicating that Malenkov apparently intends to continue to operate behind the protective cloak of government by committee--reminiscent of Stalin's rise to power in the 1920's.

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3. USSR reportedly to reduce terms of military service:

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a recent change in Soviet military laws will reduce by half the term of service in specialized services, including the navy and air force but not the ground forces, and liberalize draft exemptions for only sons.

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Comment: The USSR may revise conscription practices in line with its recent internal "liberalization" policy, but any reductions in terms of service almost certainly would not be to the extent indicated by this report, and might be limited to certain specialists who frequently serve longer than the legal term.

4. Comment on large Soviet purchases of food from the West:

Recent Soviet purchases of food from the West show that there has been no change in the government's policy of making increased quantities of consumer goods available to the populace. On 14 July the USSR concluded a contract for 10,000 tons of Dutch butter, at least eight times as much as it bought from the Netherlands in 1952. On 22 June 6,000 tons of Danish butter were purchased, to be shipped by October, the first such purchase from Denmark in more than a year. Soviet officials told the Dutch Ministry of Economic Affairs that the butter is required in view of the sharp rise in the Soviet standard of living.

On 15 July Australian meat exporters reported that for the first time since the war they had received cables from the Soviet Union ordering frozen beef, mutton and pork.

Butter and meat have been in particularly short supply in the Soviet Union.

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7. Chinese Communist build-up opposite Tachens reported:

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Chinese Communist troop and junk concentrations at Haimen, Huangchiao and Sungmen in Chekiang Province opposite the Nationalist-held Tachen Islands have reached the highest levels

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yet [Redacted] Communist troops reportedly are billeted in the theaters and temples at Haimen and junks and rafts capable of transporting 10,000 men have been assembled at nearby coastal points.

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NEAR EAST - AFRICA

8. Negotiations for Anglo-Libyan military agreement concluded:

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The Anglo-Libyan negotiations in London for a military agreement have been concluded, but it must be approved by the Libyan Council of Ministers before it is signed.

Britain made a number of concessions, mainly concerning the lands required for military needs and on criminal and civil jurisdiction over its forces.

The Foreign Office expects some difficulties over the still-pending financial agreement. The Treasury wants to limit British assistance to the equivalent of \$7,000,000 annually, while the Libyans have requested \$11,200,000.

Comment: This military agreement is an annex to a proposed 20-year treaty of alliance. Last September the Libyan Council of Ministers declined to approve the treaty because of dissatisfaction over the provisions of the military annex.

In view of the increased anti-British sentiment in Libya, the treaty's signature and eventual ratification are problematical.

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9. Yugoslavia irritated by Turkey's attitude toward military cooperation:

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Greek foreign minister Stefanopoulos considered the tripartite foreign ministers' conference in Athens which ended on 11 July to be useful and on the whole successful, but was dissatisfied with the relationship between the Yugoslavs and Turks.

According to Stefanopoulos, Yugoslavia resented Turkey's reluctance to agree categorically that an attack against one of the Balkan pact members would be considered as an attack against them all. In retaliation, Yugoslavia refused to accept a Greek proposal to establish a permanent military secretariat on the grounds that further "military machinery" would be superfluous until agreement was reached on the fundamental military problem.

Yugoslavia was also dissatisfied with Turkey's failure to earmark what Belgrade considered to be adequate forces for the Balkan theatre.

Comment: Turkey has proposed that aggression against one country be considered only as a "menace" to the security of the two others.

At the conclusion of the Athens conference, the Greek proposal for the establishment of a permanent tripartite military organ was referred to the general staffs for study.

WESTERN EUROPE

10. Comment on East German proposal for all-German elections:

The East German government's proposal of 15 July for all-German discussions leading to free elections is similar to previous proposals it has made on this subject.

The failure of the East German government to produce a proposal that goes beyond those of the past suggests that this latest maneuver was hastily conceived to lessen the impact of the Western call for four-power talks. The reappearance of the same

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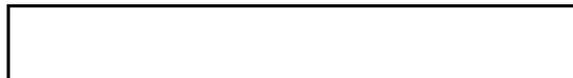
proposal rejected by West Germany in the past indicates that no serious thoughts of all-German elections are being entertained by the East German government.

The proposal fits into the pattern of maneuvers designed to create the impression that the USSR is willing to make concessions on German unity. It may also foreshadow other Soviet attempts to avoid a showdown on the crucial issue of free elections.

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