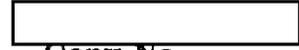


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19 March 1954



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DOS, JCS and DIA review(s) completed.

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GENERAL

1. Plan for large copper diversion to Orbit reported:

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[REDACTED] "Big time" operators in New York, London, Zurich, and Stockholm are conspiring to deliver 100,000 tons of Latin American copper to the Soviet

Orbit, according to information given the American embassy in

[REDACTED] deal, said that the local representative of "the Chilean copper interests" was involved. He stated 20,000 tons would be diverted in Sweden and that the rest would be handled from or through Switzerland.

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American COCOM officials in Paris state that 100,000 tons seems an "incredible" volume for a single diversion effort. They believe that if such a deal is contemplated, the channels developed last year by the former Rumanian commercial attaché in Bern might be used for at least part of it.

Comment: Officials of the Chilean government, which has been negotiating for the sale of 100,000 tons of copper to the United States government, reacted skeptically to this information. Chile has insisted that despite increasing domestic pressure it will not allow copper sales to the Orbit.

This and other recent reports of pending transshipment deals may derive from offers to the Orbit by traders who believe that the delay in the US-Chilean negotiations will greatly increase the amount of copper available.

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SOUTHEAST ASIA

2. Viet Minh believed to want direct contact with French:

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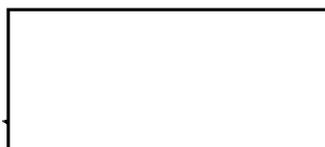


French officials in Saigon believe the Viet Minh is eager to make direct contact with the French government before the opening of the Geneva conference and thus obtain de facto recognition. It hopes thereby to undermine French-American relations and further weaken the Bao Dai government.

In support of this belief, they also point out that Orbit propaganda is now stressing the need for a truce in Indochina prior to the conference.

3. Viet Minh continuing artillery barrage:

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A senior French official in Saigon, pointing to the continuation of the Viet Minh artillery barrage on Dien Bien Phu on 18 March, predicted that the enemy would renew mass attacks despite heavy losses. He said that the situation remains serious.

Comment:



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report that the Viet Minh suffered more than 4,000 casualties in taking two French strong points between 13 and 15 March. French Union casualties in these actions totaled about 1,400. Casualties subsequently incurred through air and artillery attacks cannot yet be accurately estimated.

SOUTH ASIA

4. Trade with Orbit may be major topic at South Asian premiers' conference:

25X1A [redacted] The problem of disposing of surplus commodities will be a major topic this spring at the Ceylon conference of the premiers of India, Pakistan, Burma, Indonesia and Ceylon, [redacted] 25X1
[redacted] Indonesia, Burma and Ceylon are reportedly preparing proposals for expanding trade with Communist countries. The conference is expected to outline a general policy with regard to such trade.

Comment: This conference, first proposed in early December for the discussion of mutual problems, has no fixed agenda.

Pressure to find new markets is mounting as a result of the persistent buyers' market in the area's principal commodities. All participants except Pakistan have or are negotiating trade agreements with Orbit countries.

5. Communists appear excluded from Travancore government:

25X1A [redacted] Any Communist bid to form a new cabinet in the south-Indian state of Travancore-Cochin is now foredoomed to failure, according to the American consulate general in Madras. The Praja Socialist Party, which holds the balance of power in the state assembly as a result of elections in late February, has decided to refuse to support a leftist coalition government. The Congress Party has announced its willingness to support a Praja Socialist government.

The Socialist leaders reportedly hope that, once in power, they can institute "mass appeal" reforms which will counteract Communist propaganda.

Comment: The support of the Congress Party, the largest single unit in the assembly, will relieve the Praja Socialists at least temporarily of their dependence on Communist or other leftist votes. It is doubtful, however, that the Socialists will have a strong enough position in the government to allow them to present a program which would steal much thunder from the Communists.

NEAR EAST - AFRICA

6. Shah wants to join Turkish-Pakistani pact:

25X1A



Admiral Wright, commander in chief of the Eastern Atlantic-Mediterranean, reported that in an interview in Tehran the shah told him that he has "an urgent and burning desire" to become a partner in the Turkish-Pakistani pact. Wright also said that the shah emphasized the need to build up Iran's army to enable it to participate effectively.

The army apparently wants to open military talks with Iraq, although Iran has long been cool toward that country as British-dominated.

Comment: The shah's statements contrast with Foreign Minister Entezam's initial reaction to the Turkish-Pakistani agreement and the latter's public announcement on 16 March that Iran would not enter any Middle East pact. Entezam probably fears a breakdown in current Iranian-Soviet negotiations on border and financial problems.

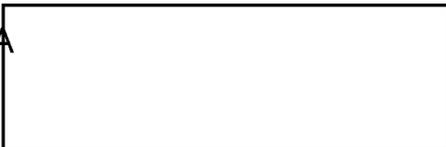
The shah apparently feels that the American aid he has been seeking to build a large and modern army can be obtained only by participating in a regional defense arrangement.

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7. Britain proposes complete withdrawal of troops from Suez base:

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 Under a new plan approved by the British cabinet on 15 March, all British troops would be evacuated from the Suez base within approximately two years and the base would be maintained by civilian contractors paid by Egypt. Britain would have the right to reoccupy the base in case of an attack on an Arab state or Turkey, and to consult with Egypt in case of a threatened attack on any of those states or Iran. This agreement would be valid for 20 years.

Britain hopes the United States will become associated with the agreement through an Egyptian invitation to use the base and to join Britain in selecting the contractors.

The Egyptians will also be asked to give assurances that they will observe the spirit as well as the terms of the Anglo-Egyptian agreement on the Sudan.

Comment: In abandoning its insistence that uniformed British technicians be used to man the base, Britain reveals its strong desire to improve relations with Egypt and its apparent realization that the future use of the base must be assured now.

Egypt may be reluctant to resume lengthy negotiations, and suspicious of any British proposals calling for a 20-year agreement. The provisions concerning contract labor, particularly that on payment, may also cause difficulties.

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WESTERN EUROPE

10 Effective CSC anticartel measures before 1955 doubtful:

25X1A



In order to reach agreement on a reduction in coal prices, the High Authority of the European Coal-Steel Community agreed to consult with the West Germans over the next few months concerning the future of the Joint Coal Sales Organization of the Ruhr. This decision, in the opinion of Ambassador Bruce, makes doubtful any effective action against coal sales cartels within the community before the end of the year.

The decision resulted from a bargain between the French and West German governments on prices and restrictive practices, [redacted] The French representatives were also anxious to avoid increasing industry's opposition to European integration. 25X1

Comment: This is a critical defeat for High Authority president Monnet and will tend to disillusion the supporters of European integration.

Monnet's proposal to outlaw the major coal sales cartels within the CSC area had been considered the most politically feasible part of his anticartel program.