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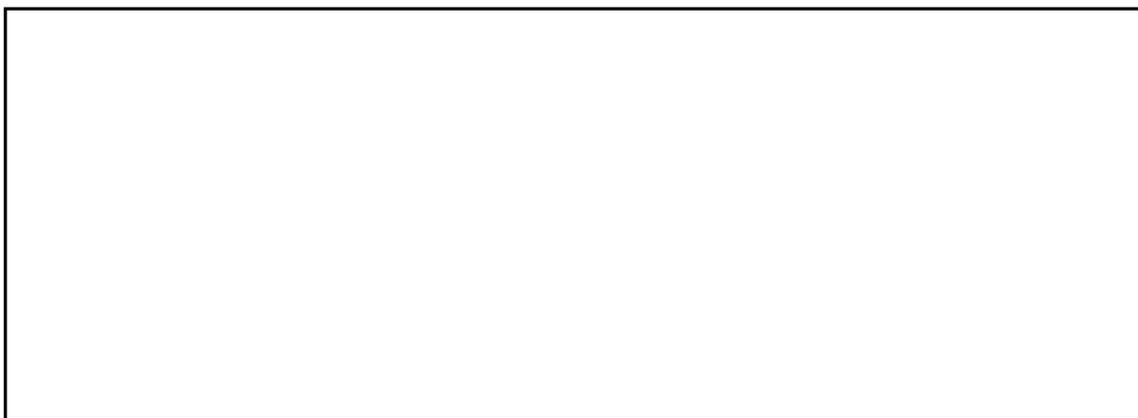
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State Department review completed

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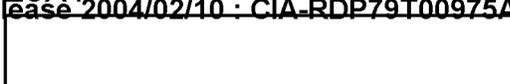
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GENERAL

1. Comment on Polish offer of a mutual assistance pact to France:

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[redacted]

The Polish offer to France of a treaty of alliance and mutual assistance, made in a note presented in Paris on 25 August, is in line with other recent Orbit attempts to de-

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feat EDC and to woo France away from the Western alliance system. Poland has been taking the lead in these maneuvers and, [redacted]

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[redacted] has consistently sought to transform the existing agreement to resume cultural relations into a political instrument for influencing French public opinion.

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Despite the French Foreign Ministry statement to the press on 27 August that the proposal will be rejected, it is unlikely that the French government will flatly reject the offer, particularly since Premier Mendes-France is eager for further talks with the USSR. [redacted]

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[redacted]

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FAR EAST

3. Reported Chinese Communist troop movements threaten Quemoy and Tachens:

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The Chinese Nationalist Defense Ministry reports that a Chinese Communist army headquarters moved on 16 August from its base near Shanghai to the Amoy area opposite Nationalist-held Quemoy Island.

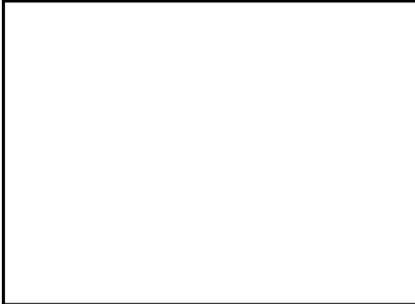
The ministry also states that elements, possibly a division, of the Chinese Communist 22nd Army began moving on 11 August from bases on the Choushan Islands, off the coast near Shanghai, to an undisclosed destination. The ministry comments that these elements may include about 4,000 troops which recently were reported to have arrived at Sungmen, a coastal city opposite the Tachen Islands.

Comment: The army reported to be moving into the Amoy area would probably be the 27th, which served in Korea during the war and which is known to have trained for amphibious operations prior to entering Korea. Arrival of an additional army in the Amoy area would increase Communist strength in Fukien Province opposite Quemoy to about 150,000, believed sufficient to capture Quemoy.

Meanwhile, Chinese Nationalist foreign minister Yeh has informed Ambassador Rankin that the Nationalists would defend all of Taipei's island bases "come what may." This decision, apparently based on Taipei's increased confidence that American help would be forthcoming in the event of attacks, contrasts with indications this spring that the Nationalists would withdraw from the Tachens if the Communists attacked in strength.

SOUTHEAST ASIA**4. Comment on postponement of Sino-Indonesian talks on Overseas Chinese citizenship:**

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Communist China's reported failure to accept as a basis for discussion the proposal that Overseas Chinese drop their Chinese citizenship should they choose to become Indonesian citizens is given as the reason for postponement of Sino-Indonesian negotiations on this subject. The talks were to have commenced this month.

The Indonesian government, which had expected that the problem would be settled swiftly and amicably, has consequently decided to reintroduce into parliament a citizenship law which provides that all persons born in Indonesia and not declaring to be citizens of another country automatically become Indonesian citizens.

It is uncertain whether the Chinese Communists actually reneged on this issue, or whether the Indonesians misunderstood them. A backdown would contrast sharply with other steps the Chinese have taken to win favor with the Indonesians.

Moreover, Peiping's prestige would stand to suffer elsewhere in South Asia, even in Burma and India.

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**5. Comment on reported spread of "free Thai" movement into Burma:**

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The Burmese press reports that a number of Shan and Kachin leaders have returned from a meeting in Yunnan proclaiming allegiance to a Chinese Communist-inspired "free Thai" movement. These reports are consistent with other indications that Peiping is increasing its efforts to extend its influence in Southeast Asia while conditions are favorable.



These leaders have reportedly pledged themselves to assist in the "peaceful liberation of the Shans and Kachins from political oppression in countries adjacent to China ruled by reactionary governments." Since the Kachins, unlike the Shans, are not related to the Thais, this proclamation suggests that the Chinese Communists are aiming at all minority peoples in the area.

The "free Thai" movement first achieved importance when Peiping established a Thai Autonomous Area in southern Yunnan in February 1953. It was given fresh impetus last month when Pridi Phanomyong, a former premier of Thailand, emerged in Peiping as a Communist puppet. Meanwhile, Chinese Communist agents have been active among the ethnic groups along China's southern periphery, particularly those in Burma.

The American embassy in Rangoon has reported that Bhamo, a north Burma town located where Shan and Kachin territory meet, has become a center of Communist activity and that there are plans to establish a "free state" for Kachins from India, Burma, and China.

The Burmese government has become increasingly concerned over these subversive activities and is attempting to tighten security in this area where its control is tenuous.

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NEAR EAST - AFRICA

6. Eden interested in proposal to broaden Arab security pact:

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According to the British Foreign Office, Foreign Secretary Eden will give careful and sympathetic consideration to the Iraqi-Egyptian proposal for modifying and expanding the Arab League Collective Security Pact to include non-Arab members.

Eden believes one of the greatest advantages of the proposal is that it represents indigenous rather than Western initiative. He thinks Washington and London should avoid giving even the appearance of seizing the initiative, despite the possible disadvantages of a relatively passive attitude on their part.

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Comment: Eden's interest in "indigenous initiative" is analagous to the approach he has recommended for SEAP.

Britain has regarded the Turkish-Pakistani pact, which would rely entirely on local forces, as an inadequate substitute for the previously proposed Middle East Defense Organization. Britain has maintained consistently that realistic defense plans for the Middle East must include Western participation.

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