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CENTRAL INTELLIGENCE AGENCY

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SUMMARY



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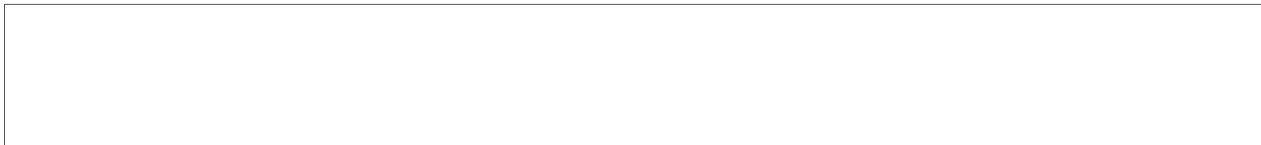
WESTERN EUROPE

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SOUTHEAST ASIA

2. Philippine Government hopes to bargain for participation in ANZUS:



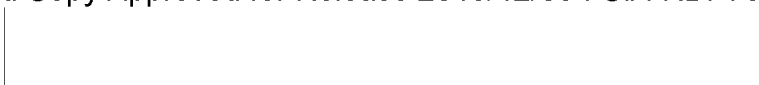
Philippine Foreign Minister Elizalde 
 **would**
eventually ask to participate in ANZUS, and
that this participation would enable President
Quirino to obtain Senate ratification of the Japanese peace treaty.

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**The American Ambassador in Manila be-
lieves that Philippine inclusion in ANZUS is still undesirable, that it
would not bring about ratification of the peace treaty, and that the
United States should not "bargain" to obtain ratification.**



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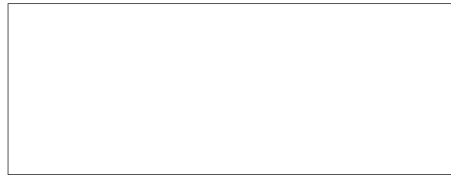


Comment: Formalization of the US-Philippine Mutual Defense Pact was arranged for 27 August to counteract criticism in Manila of the ANZUS meeting at Honolulu. The United States maintains, however, that the Philippines is still obligated to ratify the Japanese treaty because of an agreement a year ago that the exchange of ratifications of the Mutual Defense Pact would be dependent on this act.

Inclusion of the Philippines in ANZUS is opposed by Australia and New Zealand, which are reluctant to increase their defense responsibilities.

NEAR EAST - AFRICA

3. Britain seeks broad diplomatic support for Iranian oil proposals:



On the recommendation of British Charge Middleton in Tehran, Britain will ask France, Turkey, Italy, the Netherlands, and Belgium to urge Iran to accept the recent Anglo-American proposals for the settlement of the oil dispute. At the discretion of the respective British diplomats, approaches may also be made to enlist the general support of Iraq, Egypt, Pakistan, and India, and to ask King Ibn Saud to try to persuade Mullah Kashani, the Iranian National Front leader now on pilgrimage to Mecca, to adopt a "reasonable attitude."

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Middleton has indicated to London that he is not optimistic over the chances for improving the situation by this means, but he believes every possible approach should be tried.



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WESTERN EUROPE

4. Austrian trade negotiations with Soviet Union held politically necessary:



American Embassy officials in Vienna are inclined to agree with Foreign Minister Gruber that it has become "politically necessary" for the Austrian Government to raise the question of a trade agreement with the Soviet Union. Soviet trade propaganda has allegedly been most effective among conservative and business circles, but Socialist leaders reputedly also accept the necessity of trade negotiations as the only way of disproving the claims of Soviet East-West trade propaganda.

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Embassy officials believe that Austrian receptivity to such propaganda, which reflects mounting concern over unemployment and export problems, will largely evaporate when transactions with the USSR fall short of expectations.

Comment: Although Soviet propaganda and recent economic concessions have cleverly exploited Austrian economic difficulties, there is little evidence of strong political demands for an Austro-Soviet trade agreement as such. Since the Soviet Union is in a position to conduct all of its Austrian trade through "illegal" channels provided by the Administration of Soviet Enterprises in Austria (USIA), any Soviet pressure for a trade agreement would appear to be politically motivated.

Austrian leaders may be primarily hoping for Soviet "concessions" which would "legalize" USIA trade even though they express doubts that such concessions would result.



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5. American officials urge encouragement of pro-West sentiment in East Germany:



American officials in Berlin believe that the will of pro-Western elements in East Germany to continue to resist Communist pressure depends upon a prompt and decisive reply to the Soviet note of 24 August. They cite indications from the Soviet Zone that the anti-Communist majority cannot hold out much longer without some positive response on the part of the West.

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American representatives in Berlin urge that, to maintain East German faith in the West, the Western powers either terminate the exchange of notes with the Soviet Union or agree to an early four-power conference in Berlin. While the first alternative would have the advantage of demonstrating Western "courage," the second would make very difficult the "building of socialism," the erection of a military machine, and the further isolation of the population in East Germany.

These officials believe that the greatest weakness of the Western position in East Germany is the popular impression that the Russians are more willing to gamble on the unity theme than the West.

6. Adenauer optimistic on ratification of Bonn and Paris treaties:



After his first consultation with the West German cabinet following a month's absence from Bonn, Chancellor Adenauer told General Ridgway that he was more confident than ever that the Bonn and Paris treaties would be ratified by mid-October at the latest. The Chancellor also stated that as soon as the treaties had gone into effect, West Germany would make its full contribution to European defense.

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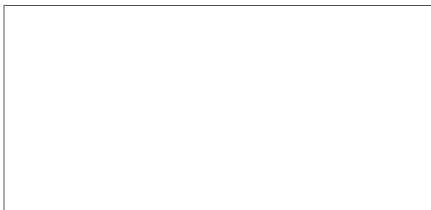


Comment: The Chancellor's optimism suggests that he does not believe that parliament will press him for a full settlement of the Saar problem prior to the treaties' ratification.

Despite Adenauer's positiveness on the West German share in European defense, negotiations over the Federal Republic's 1953-54 contribution to the European Army will probably be difficult and prolonged.

LATIN AMERICA

7. Ibanez may challenge Chilean election result with "popular militia":



A campaign leader for presidential candidate Ibanez del Campo reportedly has been secretly training "popular militia" groups throughout Chile "to defend the legitimate triumph of Ibanez" in the 4 September election. Arms and ammunition have been issued.

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Comment: This is the first detailed report of a popular militia, and is in line with activities at the enthusiastic Ibanez rally of 31 August, where speakers called on his followers to keep themselves in readiness "for any eventuality." The Chilean Government, according to the United States Embassy, is aware that Ibanistas are training a militia.

Ibanistas, possibly with Communist support, may foment disorders or attempt a coup if it appears that the election is rigged against their candidate, or if Ibanez gets a plurality of the votes and is not named president by a joint session of the Chilean Congress.



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