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7 December 1952

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3. Plans for sale of Chilean copper to USSR reported:

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There is reportedly documentary evidence of plans of one Candido Canton Fernandez of Montevideo and Buenos Aires to negotiate a deal with the Soviet trade delegate in London involving 50,000 tons of copper. The copper is to be procured from the Chilean Army War Materials Factory (FAMAE), and would probably be shipped in lots of 1,000 tons. The outcome of the negotiations is contingent on obtaining Belgian documentation.

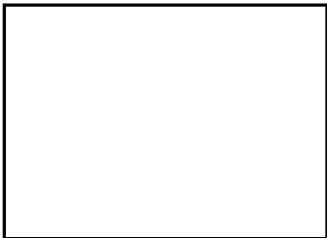
Comment: This offer, which is roughly equal to the Bloc imports in 1951, would reduce by about one third the Orbit's estimated annual copper deficit.

Chile could supply 1,000 metric tons of copper a month, and possibly 50,000 metric tons in 18 months, without decreasing average monthly shipments to the United States.

The new Chilean Minister of Economy and Commerce stated in late October that there would be no shipments of strategic materials to Iron Curtain countries. However, FAMAE has been involved in copper transshipments in the past.

4. Finnish parliamentary committee approves subsidy for certain exports to USSR:

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The Financial Committee of the Finnish Parliament has approved a government proposal to amend 1951 legislation providing for a subsidy on metal and ship-building exports.

The amendment would subsidize these exports to the USSR under the supplementary trade agreement for 1952-1955. The Committee disapproved a similar government proposal to subsidize exports of these products to other countries.

The US Legation in Helsinki believes that parliamentary approval of the amendment would operate to discourage firms from seeking western markets.

Comment: Such legislation would strengthen the Soviet Union's economic ties with Finland. At the present time the USSR is not only Finland's second largest customer, but it is also an important source of wheat and petroleum imports which Finland obtains primarily in exchange for products of the metal and shipbuilding industry.

FAR EAST

5. Yoshida government expected to survive present crisis:

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A number of Diet leaders have advised Ambassador Murphy that Prime Minister Yoshida's Liberal Party will close ranks to defeat the proposed Socialist motion

of no confidence in Foreign Minister Okazaki and thus see the cabinet through the present crisis. Murphy reports that both the Hatoyama and Yoshida factions of the Liberal Party, as well as the Progressives, are beginning to realize that new elections now would be advantageous only to the Socialists.

An influential member of the Hatoyama faction has advised Murphy that next spring will be the opportune time for a major move to defeat Yoshida.

WESTERN EUROPE

6. Schuman expected to resume Saar negotiations with Adenauer next week:

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A high French Foreign Ministry official has told the American Embassy in Paris that Foreign Minister Schuman will probably resume French-German negoti-

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ations on the Saar next week by addressing a letter to Chancellor Adenauer asking for German views.

Comment: The last letter in these negotiations was Adenauer's message of 16 October, in which he proposed a French-German commission to study adaptation of the French-Saar conventions to the anticipated European status of the Saar. Schuman has delayed his answer pending disposition of the Saar election problem.

The British Foreign Office feels that pressure should now be put on the French to accept early technical discussions of their coal and steel needs during a transitional period, and Foreign Secretary Eden has told French Ambassador Massigli that, despite the Saar election results, time is not on the side of the French.

7. Pinay avoids showdown in Assembly on budget:

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In view of Premier Pinay's withdrawal of most of his controversial tax reform proposals from the 1953 budget bill, the American Embassy in Paris believes that he will obtain approval of the bill by the end of this month. Peasant Party leaders who deserted the government on the tax reform issue told the Embassy that they expect to support Pinay's budget. The Popular Republicans, despite resentment over the defeat of their tax proposals, will avoid endangering Foreign Minister Schuman's foreign policy.

Political observers in Paris consider that Pinay is safe until February but believe that the deteriorating economic situation will then bring about his defeat.

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