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FAR EAST

SOUTHEAST ASIA

2. Comment on plans for build-up of Vietnam National Army:

French and Vietnamese authorities in Saigon are optimistically discussing plans for the rapid activation of some 40,000 additional Vietnamese troops in order to launch a decisive offensive against the Viet Minh next October. Plans for such a large increase at this time appear premature in view of reliable information that morale is very low in existing Vietnamese units, with a consequent high rate of desertion.

The major weaknesses in the effort to develop a Vietnamese army have consistently been the failure to arouse fighting spirit in Vietnamese troops and a badly lagging program for training Vietnamese officers. Typical of the problem

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of training was the recent discontinuation of a school in Tonkin for training Vietnamese field-grade officers because the French instructors were needed for active duty elsewhere.

3. Indonesian Vice President reportedly disturbed over Prime Minister's contacts with Communist Party:

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Indonesian Vice President Hatta has expressed to Prime Minister Wilopo his concern over the close cooperation of the latter and his National Party with

the Communist Party, and has pointed out the potential danger of such contact. Wilopo justified his frequent consultation with Communist Party leaders by asserting that if his party did not accept the cooperation of the Communists, the latter might assist the Socialist Party in the coming elections.

<u>Comment</u>: This is the first report that the Prime Minister has been consulting with the Communist Party.

EASTERN EUROPE

4. Yugoslavs accept necessity for coordinating Balkan pact with NATO:

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According to the Turkish Ambassador in Belgrade, Yugoslav officials agreed with Foreign Minister Koprulu during his recent trip that any final Yugoslav-Greek-

Turkish defense agreement would have to be coordinated with NATO because of Greek and Turkish obligations to that organization. The Yugoslavs also stated that, for "internal and external reasons," they themselves did not seek membership in NATO.

Comment: The Yugoslavs previously had pressed for immediate specific mutual security commitments, but evidently now realize that NATO coordination is a prerequisite.

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5. <u>Closer Yugoslav-Turkish-Greek relations allegedly causing</u> trouble in Satellites:

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A high level Yugoslav Foreign Office official has informed the American Charge in Belgrade that Yugoslav rapprochement with Greece and Turkey

is producing disintegrating influences within the Soviet Orbit. He predicted that the proclamation of a formal Balkan defense pact would provoke widespread public demoralization not only in Bulgaria but in Rumania, Hungary, and even Czechoslovakia.

The official speculated that this would force the Soviet Union to seek means of convincing the Orbit population of the aggressive nature of the alliance, to increase troop concentrations, and to provoke frontier incidents along Yugoslavia's borders.

<u>Comment:</u> It is unlikely that a Balkan defense pact would have any substantial repercussions in the Satellites. The official's observations may be designed to induce the United States to give active support to the achievement of such a pact.

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