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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY

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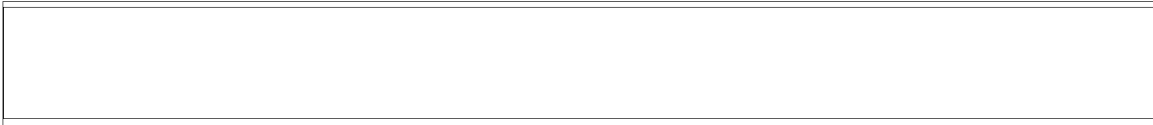
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**GENERAL**

**1. Comment on Chinese reaction to Moscow talks:**

Chinese Communist comment to date on the announced results of the Sino-Soviet talks reveals sensitivity to possible charges that Peiping was outmaneuvered by its ally.

Official Chinese Communist releases argue that the two agreements are to the "practical interest" of China. From Peiping's point of view, the reasons cited for extending the Port Arthur agreement--the threat posed by Japan and the possible expansion of the Korean war--are valid.

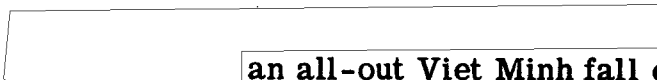
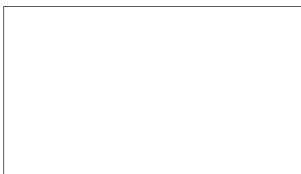
Peiping's assertion that the USSR "is prepared to shoulder all responsibilities beneficial to peace" in the Far East hints at the possibility that a larger Soviet military guarantee resulted from the talks.

Peiping's position in Chinese eyes would be greatly improved by announcement of agreements on further Soviet economic and military aid. Moscow and Peiping may still be working out the details of such agreements.

**SOUTHEAST ASIA**

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**2. All-out fall offensive by Viet Minh seen less likely:**



an all-out Viet Minh fall or winter offensive is "less likely now" because of continued low morale and lack of supplies and recruits.

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He anticipates intensified guerrilla activity and infiltration of the delta, however, and considers as still probable an offensive limited to the northwest corner of the delta by the two best Viet Minh divisions, with diversionary action elsewhere.

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Comment: Previous reports have suggested that the usual fall offensive was expected. However, there have also been indications of fatigue, and to some degree low morale, among Viet Minh units. A principal logistic bottleneck for the Viet Minh is the inadequate transportation network within Indochina. French bombing of roads and bridges used by the Viet Minh has recently been unprecedentedly heavy.

3. French Union troops and Vietnamese show good teamwork in Tonkin:



The recent liberation of 20 southern Tonkin villages without casualties to French Union troops was made possible by the cooperation of the local population, according to the governor of North Vietnam. The Vietnamese Catholic bishop who in effect administers the area wrote a letter of congratulations to the French commander in Tonkin on the good behavior of the French Union troops.

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Comment: The French military and Vietnamese civil authorities have achieved a good working relationship in Tonkin. Praise for the behavior of the French Union troops is in marked contrast to the bitter complaints of less than a year ago. French-Vietnamese cooperation in Tonkin, however, has progressed further than in Vietnam as a whole.

SOUTH ASIA

4. New government and increased unrest foreseen in Nepal:



An American official in Katmandu has heard unconfirmed reports that the King of Nepal intends to end his interim rule by appointing a prime minister and cabinet

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with no political affiliations. The majority of cabinet members will belong to the Rana family, whose hereditary control of Nepal was ended by the "popular" revolution of 1950. Former Prime Minister M. P. Koirala will be included as an independent.

The American official remarks that Nepal Congress Party President B. P. Koirala will not participate in the cabinet, and that in his present bitter mood he might seek aid from local Communists and from China to seize control of the government. In this event, even the Indian Army could not restore order without a major effort.

Comment: The Indian Government dominates the King of Nepal and is presumably aware of such plans. If these plans are accurately reported, the Indian Government, which tacitly supported the revolution of 1950, has apparently lost some of its faith in "democratic" government in Nepal. It now seems to be attempting to increase stability by returning the Ranas to power, whether or not the move is locally popular. The likelihood of an armed revolt led by B. P. Koirala exists as long as he is not in power.

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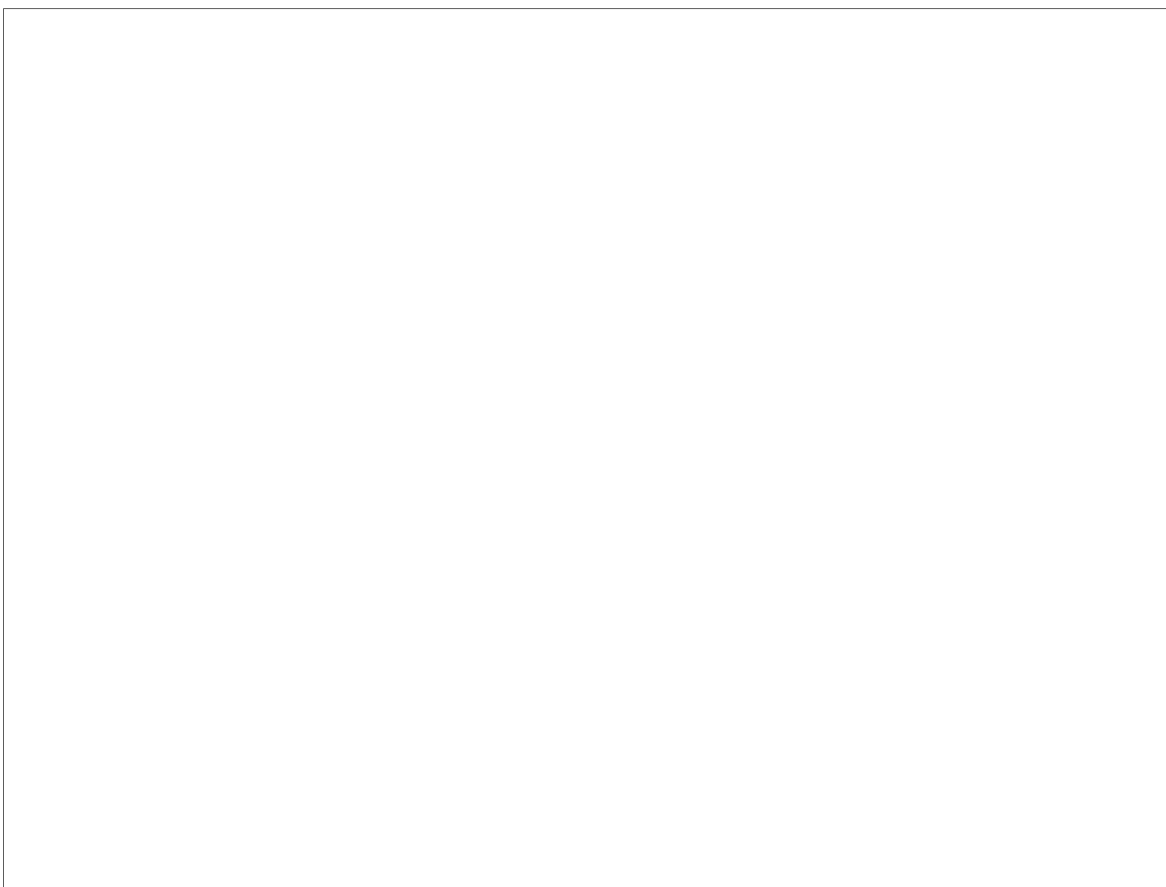
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**7. Comment on new Lebanese government:**

Political tension in Beirut, climaxed by a three-day strike throughout Lebanon, has been eased by the 18 September resignation of President el-Khoury and his appointment of General Chehab, Commander in Chief of the Army, as temporary Chief of State and Prime Minister. Chehab is believed to have most of the army behind him. He also has substantial political support, including that of two former premiers.

The new Chief of State, who is a Christian, is faced with the problem of easing the Moslem-Christian tension built up over the past weeks. He must also deal with Lebanese political leaders who are opposed to military direction of civil affairs. Moreover, Chehab's past friendship with Khoury can be exploited by any military and civilian opponents. Chehab, or a succeeding government

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leader, must still cope with basic economic problems as well as with widespread corruption, which caused Khouri's fall.

8. Egypt protests British failure to deliver jets:



The Egyptian Government has handed the British Ambassador in Cairo a sharp note concerning the British failure to deliver the 65 jets now on order. The note charged that nonfulfillment of the contract is due to a British-imposed arms embargo.

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Ambassador Caffery states that the Foreign Minister and the chief of the Egyptian Air Force are not interested in explanations. He understands that Egypt wants 36 jets immediately.

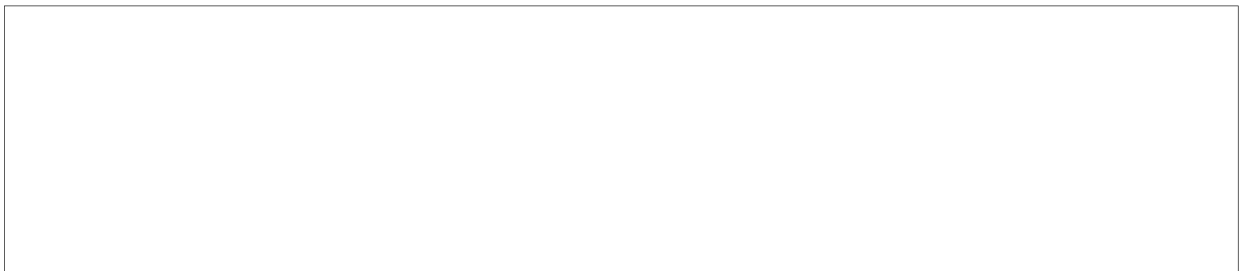
Comment: As a gesture of goodwill to the Nagib government, Great Britain has recently made available trainers and spare parts.

In September 1950, the British Government postponed delivery of all high-priority items, including jets, to other than NATO and Commonwealth nations because of critical shortages. Great Britain has now indicated, however, that it would offer jets to Lebanon, Syria, Iraq, and Israel.

EASTERN EUROPE

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9. Establishment of new Hungarian region creates unrest in Rumania:



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Comment: There is evidence that the fears of the Rumanian population and the hopes of the Hungarian minority for the return of Transylvania to Hungary persist, despite the claims by the Communist regimes of Hungary and Rumania that they have solved this long-standing irredentist problem.

Although the draft constitution which provides for establishment of the new Autonomous Hungarian Region has not been officially adopted, recent militia messages indicate that the region was in fact set up on 1 August.

#### WESTERN EUROPE

#### 10. Comment on the East German electoral delegation to Bonn:

West German agreement to accept an East German delegation bearing proposals for the unification of the country has handed an unexpected propaganda victory to the Orbit. The Communists have established a "record of interest" in unity, muddled the question of nonrecognition of the East Zone government, fomented dispute among West German leaders, and exposed them to a barrage of exceptionally sharp criticism.

It remains in doubt whether the delegation will be able to exploit its varied opportunities when it arrives in Bonn on 19 September. Since there are indications that the East Germans did not expect to be received at all, they evidently expect favorable propaganda even from a rejection of their overtures.

The East Germans may have been persuaded by their apparent success in circumventing Adenauer's government to try to influence German legislators and to establish some basis for further negotiations. Since even those West Germans who favored receiving the delegation recognized the propagandistic motives involved, the reception in Bonn is likely to be cool.

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**11. Crisis in French Communist Party seen as serious:**



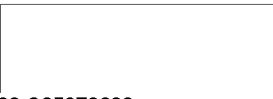
The demotion of two top-level members of the French Communist Party, Andre Marty and Charles Tillon, is expected by  3.3(h)(2)

 the French Ministry of the Interior to have "deep repercussions" in Communist ranks. 3.3(h)(2)

The purge is interpreted as evidence of Duclos' victory over the hard militant faction of the French Communist Party which tried to assume control during Duclos' imprisonment in June.

Comment: There is no indication that Marty and Tillon are considering a break with their party. Since they controlled its central military committee, a general shake-up of the Communists' paramilitary apparatus may be in process.

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