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SECURITY INFORMATION

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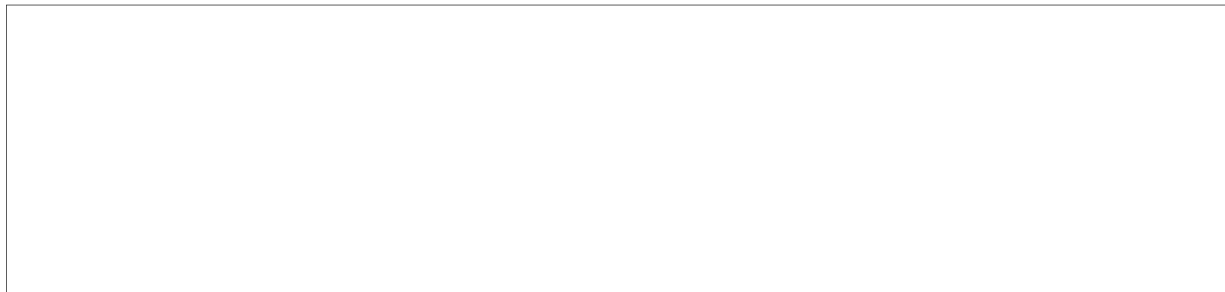


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FAR EAST

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1. North Korean authorities concerned over hydroelectric system:



Comment:



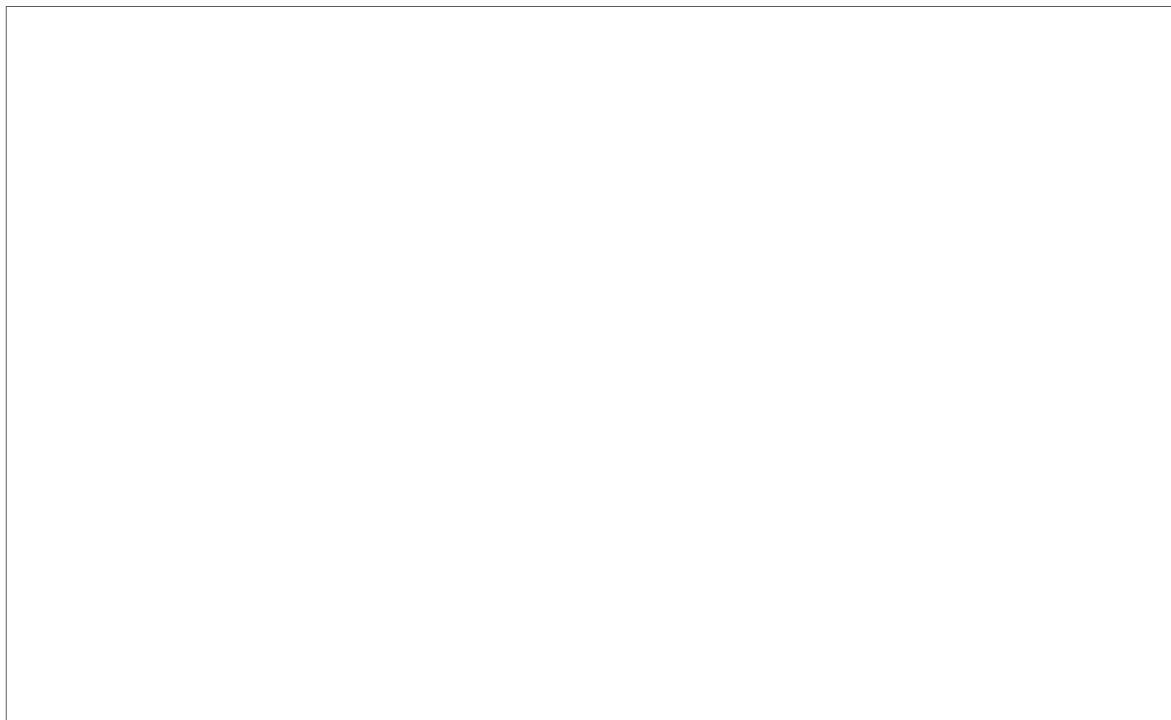
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concern in North Korea over the current status of the hydroelectric system. The power plant referred to is part of the Changjin system, which was successfully attacked by naval planes on 27 August.

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SOUTH ASIA**3. Comment on Soviet relief promised to India:**

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 The Soviet Trade Union Council, in reply to a request from the "Indian United Committee for Aid to the Starving in Andhra Province," promised to send 10,000 tons of wheat, plus other needed foods, according to a Pravda report of 31 August.

This offer will be utilized by the Indian Communists as part of a gerrymandering effort to create a new province of Andhra drawn on linguistic lines. This section of India voted heavily Communist in the last elections.

Even though famine conditions throughout India are not critical, this area suffers sufficiently from distribution difficulties so that both Soviet and Indian Communist propaganda will be able, as in 1951, to capitalize on token shipments for political purposes.

4. Comment on designation of Panikkar as Ambassador to Egypt:

The Indian Government's announcement on 2 September that K. M. Panikkar, Indian Ambassador-designate to Egypt, would carry credentials addressed to the "King of Egypt and the Sudan" lends support to Egypt in its dispute with Britain even though India proclaims that its action does not prejudice the political issues involved. The selection of Panikkar, recently Indian Ambassador to Communist China, imputes major importance to the Indian Embassy in Cairo and is added evidence of India's growing interest in the Near East.

While in Peiping, Panikkar's reporting was heavily biased in favor of the Communists and often inaccurate. It may be expected that his reports from strategically located Cairo will be anti-Western. As a close friend and adviser of Prime Minister Nehru, he has influenced Nehru's thinking on foreign policy.

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WESTERN EUROPE

5. Saar talks seen nearing serious consideration of economic problems:

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French Foreign Minister Schuman and West German Deputy Foreign Minister Hallstein agreed at their 29 August talks on the Saar to have French and German economic experts attend their next meeting. The American Embassy in Paris considers this an indication that negotiations may "finally get down to brass tacks" on economic arrangements for a Europeanized Saar.

Both statesmen now agree that a settlement of the economic issues is of primary importance. Schuman seems willing to accept a practical alternative to the French-Saar economic union, but his opinion apparently is based on the estimate of French economic experts who do not believe that the Germans can present a workable solution for economic Europeanization.

Comment: By basing French willingness to accept Europeanization on the premise that no alternative to the present economic arrangement is possible, Schuman is presumably leaving the way open for a later claim that an economic Europeanization of the Saar is possible only within the framework of a fully integrated Europe.

6. Only drastic anti-inflationary measures can save Pinay:

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French Premier Pinay will be out of office by the end of November, in the opinion of the Director of the French Price Administration. He showed American Embassy representatives his report to the Premier which pointed out that only the immediate application of "the most drastic measures" can stem disastrous price rises.

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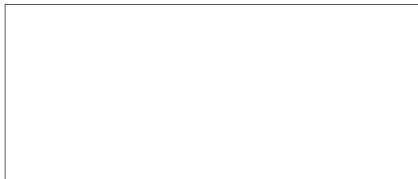
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While the Embassy considers this estimate too pessimistic, it comments that Pinay's dilemma will force him to alienate either the farmers or the retailers, with labor opposition already in the offing.

Comment: Although Pinay halted inflation temporarily, he cannot long postpone basic adjustments which will require devaluation of the franc, recovery of a favorable export position, and tax reform.

7. Sentiment persists in France for four-power talks:



The American Embassy in Paris reports that there is still considerable sentiment in France for a four-power meeting on Germany.

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The government's refusal to accept immediate talks with the USSR has led to increased criticism of Schuman. Rene Mayer, the leading contender for the Foreign Ministry post, is on record as favoring a four-power conference prior to EDC ratification.

The vice-president of Mayer's Radical Socialist party has published a plea for "one last try," and the Paris daily closest to Pinay has expressed similar sentiments.

Comment: Rumors of Schuman's deteriorating position continue, but Pinay cannot hope to hold Popular Republican support if he replaces the Foreign Minister. In any event, the French Government is not expected to call for immediate talks.

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