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SUMMARY

GENERAL

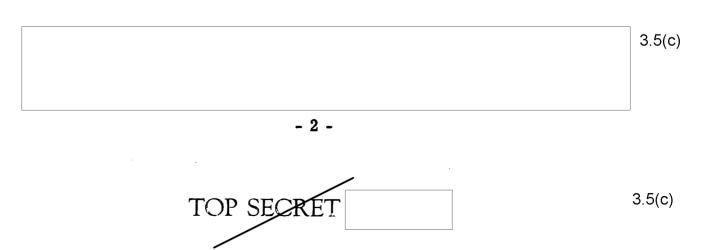
Finland reportedly to request return of territory ceded to USSR (page 3).

FAR EAST

- 2. Chinese purchases from Soviet military supplier increasing (page 3).
- 3. Additional early-warning radar site identified in South China (page 4).

WESTERN EUROPE

4. New French Socialist proposal may remove a major stumbling block to EDC ratification (page 4).



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GENERAL

1. Finland reportedly to request return of territory ceded to USSR:

The Finnish Government reportedly plans to 3.3(h)(2) approach Moscow for the return of Porkkala and most of the Karelian area ceded to the USSR in 1947. It does not intend to bargain

and will offer nothing in exchange, but will stress the importance of such a Soviet gesture in developing normal friendly relations. This proposal has no connection with recent rumors of a possible exchange of territory between the two countries.

the Finns feel that recent developments in the Soviet Union may enhance the possibilities of the proposal being considered.

<u>Comment:</u> Because of the recent Soviet "peace overtures" to the West it is possible that the Finns might try such an approach. It is unlikely that Moscow would grant such a request in view of its general distrust of Finnish motives and its sensitivity over the security of Leningrad.

FAR EAST

2.

Comment: In the past six months China has bought over \$100,000,000 worth of equipment from the Engineering Directorate, the Soviet trade agency which is known to export military equipment. This is more than in any previous six-month period and at a rate of about four times the average rate since early 1950.

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3. Additional early-warning radar site identified in South China:

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<u>Comment:</u> Identified radar sites now provide almost complete coverage of the China coast between Manchuria and Canton.

WESTERN EUROPE

4. <u>New French Socialist proposal may remove a major stumbling block</u> to EDC ratification:

> French Socialist leader Guy Mollet has 3.3(h)(2) informed the American Embassy that a "solemn declaration" by the North Atlantic Council affirming the continuing character

of NATO would satisfy Socialist reservations on EDC ratification.

The Embassy, which sees in this suggestion real progress in French Socialist thinking, feels that the proposed NATO declaration would dissipate French fears of a unilateral British withdrawal from the Continent.

<u>Comment:</u> Mollet has consistently maintained that he could not swing the key Socialist bloc in the French Assembly to back EDC ratification unless Britain assumed additional specific defense obligations on the Continent in order to counterbalance the growing strength of West Germany.

Mollet is also interested in furthering the development of NATO's political and economic aspects in order that the larger Atlantic community may counterbalance the Catholic influence predominant in the six prospective EDC countries.

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