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FAR EAST

1. Chinese Nationalist leaders congratulate Rhee:

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Comment: Nationalist leaders have generally supported Rhee in his opposition to a Korean truce, and the Nationalist press has been unanimous in applauding the release of the Korean prisoners. The Nationalist leadership believes that its hope of recovering the mainland depends on expanded hostilities in the Far East.

SOUTHEAST ASIA

2. Viet Minh reportedly planning attack on Tonkin delta:

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The Viet Minh is preparing to employ three divisions in an attack on the northern portion of the Tonkin delta.

[] One division, the 316th, is actually moving toward Dong Trieu, a point inside the northern perimeter which is to be the first enemy objective. In addition, quantities of materiel have been moving southward from a border supply point.

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Recent deployment of French-Vietnamese forces has improved delta defenses. They would, however, be severely strained by a three-division attack.

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4. Negotiations progress for evacuating Chinese Nationalists from Burma:

Ambassador Stanton in Bangkok reports that 3.3(h)(2)
the only issue on which Chinese and Burmese
representatives negotiating the evacuation of
Nationalist troops from Burma have not agreed

is the disposal of 200 to 300 overseas Chinese whom the Burmese are
holding on charges of collaborating with Li Mi's forces. The Chinese

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representative has requested that these people be released and allowed to remain in Burma, whereas the Burmese are insisting that they be repatriated to Formosa. A compromise proposed by Thailand is presently under consideration.

Comment: It is probable that an agreement will soon be reached in Bangkok. The committee will then be faced with the problem of proceeding to the Nationalist headquarters at Mong Hsat to determine the extent to which the agreement can be implemented.

NEAR EAST - AFRICA

5. Comment on demonstrations in Iran:

Prime Minister Mossadeq again attempted to rally support for his government and to browbeat a recalcitrant Majlis by sponsoring a mass demonstration in Tehran on 19 June. The crowd, however, was considerably smaller than in similar pro-Mossadeq demonstrations in the past. Communist attempts to give the demonstrations an anti-American and anti-shah direction reportedly were blocked by Mossadeq's supporters.

Mullah Kashani and other members of the opposition have denounced the government's tactics and accused it of trying to rule by "terror and riot." Kashani, challenging the government to prove its control of the Majlis, charged that the purpose of the government-inspired demonstration was to victimize those deputies who were opposed to an unpopular government.

Kashani's willingness to make a public attack on the government and Mossadeq's apparent need to seek popular support suggest that the government is not firmly in control of the situation. Despite its weakened condition, it is not again ready to run the risk of accepting overt Communist support.

6. Comment on the proclamation of a republic in Egypt:

The proclamation of a republic and the assumption by General Nagib of the presidency in addition to the premiership in no way alter the basic political situation in Egypt.

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The promotion of three young and inexperienced officers of the Revolutionary Command Council to important cabinet posts represents another step in the steady consolidation of authority by the military regime and can be expected to result in a further decline in administrative efficiency.

The arbitrary abolition of the monarchy and appointment of the president without reference to the previously announced plebiscite are susceptible to attack by opposition elements which have emphasized the extra-constitutional character of the military regime.

An ominous aspect of the new development is the even stronger position now held by Colonel Nasr and his immediate supporters. Nasr, who has on occasion been reported in conflict with Nagib, is considered the leader of the less moderate faction within the council and the real power behind the army group. He has become vice premier and minister of interior. Two of his supporters now head the ministries of National Guidance and War; and his close associate, 33-year-old Major Hakim Amir, has been appointed commander in chief of the Egyptian armed forces. The army, police and propaganda are thus directly under the control of the Nasr faction.

7. Libyan prime minister plans to take firm line with king:

Libyan prime minister Muntasser intends to take a firm line with King Idriss on the question of the latter's interference in political affairs. Muntasser told the British Foreign Office, before leaving London, that he expects, with the cabinet's backing, to send Idriss a strong representation against royal meddling.

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In subsequent discussion with the king, the prime minister will stress that continued interference in the government will result in the disintegration of the federal state of Libya and the abolition of the throne.

Comment: Prime Minister Muntasser, now en route to Tripoli, has the respect and confidence of the Western powers. He is returning home because the king has arbitrarily removed important local officials.

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Idriss, who has consistently revealed extreme sectionalism and stubbornness, may not be inclined to submit to an ultimatum.

EASTERN EUROPE

8. Czechoslovakia's position at International Sugar Conference outlined:

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[Redacted]

Comment: [Redacted]

in 3.3(h)(2)

the case of the sugar conference the immediate and primary aim of Czech participation will be propaganda support for Moscow's political objective of weakening Western solidarity rather than implementing the apparent new policy of increasing East-West trade.

9. Yugoslav attitude toward US reportedly "cooling":

[Redacted]

3.3(h)(2)

According to a report from the French ambassador in Belgrade, Yugoslavia's attitude toward the United States has recently "cooled" because of the long delay of the United States in designating an ambassador, the reduction in American aid and slowness of economic and military deliveries, the failure of the United States to respond to feelers put out by Tito for an invitation to Washington, and the rise of "McCarthyism" in the United States.

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The report, which was described to the US embassy by the French Foreign Ministry, interpreted Tito's 14 June speech as indicating some coolness toward NATO, a friendlier attitude toward Yugoslavia's Satellite neighbors, and a "shifting from deep hostility in the direction of willingness to bargain" with the USSR. The French ambassador concluded that Tito might be embarking upon a "new phase of seeking to play East against West."

Comment: Although it is possible that Yugoslavia intends to turn recent overtures by the USSR to its advantage in playing East against West, every indication thus far suggests that the government has been embarrassed by these developments and is taking pains to impress upon the West its continued reliability, sincerity and willingness to cooperate.

WESTERN EUROPE

10. Austrian government to propose that USSR relinquish German assets:

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Foreign Minister Gruber has informed the Western high commissioners that the Austrian government intends to ask the Soviet Union to relinquish, on the same basis as the Western powers, its control over former German assets in Austria. If the Soviet Union insists on compensation, the government will offer moderate quantities of manufactured items.

The government does not anticipate Soviet acceptance of its proposal. It does, however, expect a favorable propaganda effect and intends to time its proposal to coincide with the arrival of the new Soviet ambassador, Illichev.

Comment: In a major foreign policy speech on 18 June, Chancellor Raab suggested that all occupation troops be removed from Austria.

These developments suggest that the Austrian government may be attempting to obtain a de facto end to the occupation before the signing of an Austrian peace treaty, a policy consistently opposed by the United States.

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Soviet-held former German assets include approximately 300 manufacturing plants and oil wells now producing over 3,000,000 tons annually.

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