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**CENTRAL INTELLIGENCE AGENCY**

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## FAR EAST

### 1. Communist China may receive large shipment of Indonesian rubber:

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[Redacted]

Information now available indicates that the Soviet ship "Sevastopol" is scheduled to transport 6,000 tons of rubber from Indonesia to China during the early part of November.

Comment: Although Indonesia has honored the UN-sponsored embargo resolution and prohibited rubber shipments to China, there has been strong anti-embargo sentiment in business and government circles.

Success in obtaining Indonesian rubber, coming close upon the conclusion of a rice-rubber exchange agreement with Ceylon, would provide Peiping with new arguments for its propaganda campaign against the embargo. This campaign is characterized by continuing appeals for an end to the American "blockade."

## SOUTHEAST ASIA

### 2. Letourneau describes current action in Indochina:

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[Redacted]

Resident Minister Letourneau, commenting on the Viet Minh offensive in the Nghia Lo area, said that the attack was delivered by not less than two and probably by three divisions. Admitting the deficiency of French intelligence before the attack and a lack of information about eventual Viet Minh intentions, he stated that the objective may be to overrun northwestern Tonkin and perhaps penetrate to Laos. The French official indicated that Tonkin delta defenses would not be weakened to "undertake adventures in fantastically difficult country."

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Comment: The Viet Minh attack against Nghia Lo in September 1951 involved only one division and was successfully repulsed by French forces. It is obvious from still meager information that the scale and intensity of this year's attack took the French by surprise.

Thus far, the current fighting has resulted in the fall of several French-held outposts and the loss of perhaps 1,000 French Union troops.

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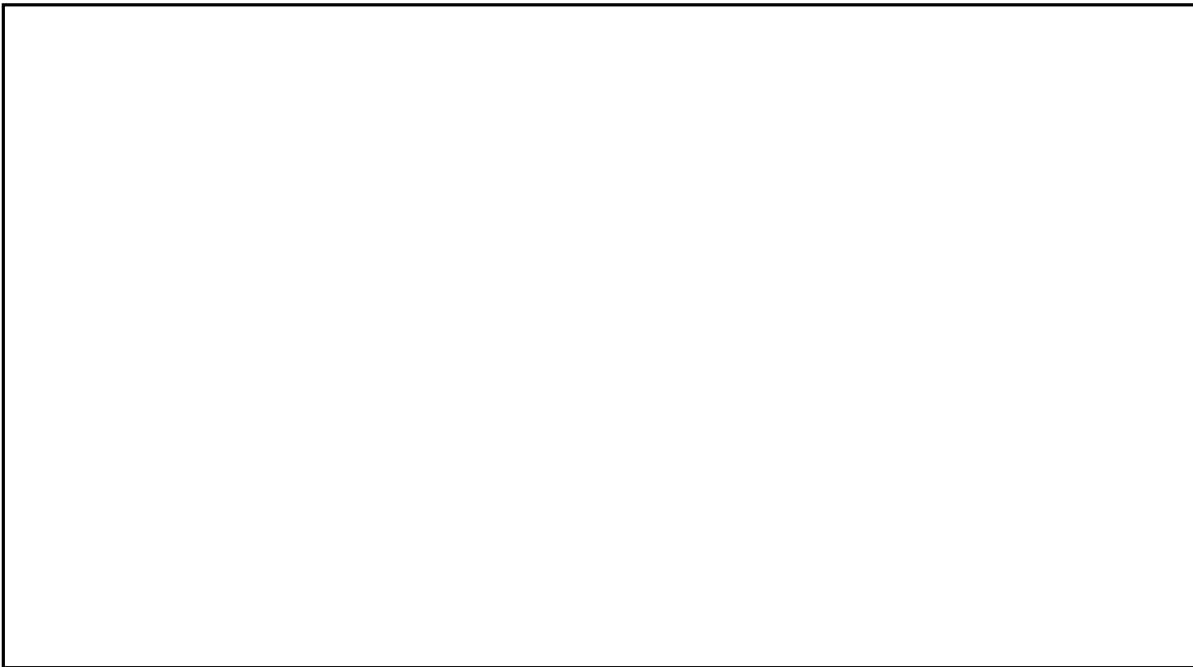
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## WESTERN EUROPE

### 5. French Cabinet seeks modification of joint statement on Saar:

The French Cabinet has rejected Chancellor Adenauer's proposed text of a joint Franco-German statement on the Saar which would be issued to justify postponing the Saar elections. Adenauer's text declares that he and Foreign Minister Schuman are convinced that negotiations will lead to a settlement of the Saar problem "in the European sense," and stresses that a definitive solution can only be made within the framework of a German peace treaty.

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Schuman believes that the statement is a great advance over Adenauer's previous requirement that a settlement be provisional for five years. The French Cabinet, however, has asked Schuman to obtain a redrafted statement which would refer to the French-Saar economic conventions, and to provide that the Saar settlement be guaranteed by the United States and Great Britain.

Comment: Agreement seems somewhat closer, particularly on the problem of the permanency of a settlement. In a recent communication to Schuman, however, Adenauer argued in favor of the immediate abrogation of the French-Saar economic conventions. France, on the other hand, still insists that new economic arrangements "evolve" with the progress of European integration.

6. Belgian and German stands on EDC unshaken by French attacks:

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The Belgian EDC delegation has informed the French Foreign Ministry that under no circumstances could Belgium agree to reopen negotiations on the EDC treaty. The delegation pointed out that such a move would certainly delay and possibly prevent the creation of a defense community.

Meanwhile, Chancellor Adenauer has told High Commissioner Donnelly that he is using the current French attacks on the EDC to show coalition leaders the importance of early German ratification of the Bonn and Paris treaties. Adenauer predicts that the treaties will receive their second and third readings in the last week of November.

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Comment: Despite widespread French discussion of renegotiation, Premier Pinay so far appears opposed. Indefinite delay by France on ratification could nevertheless induce Belgium to postpone such action and strengthen opposition in Germany to Adenauer's efforts to obtain Bundestag approval next month.

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