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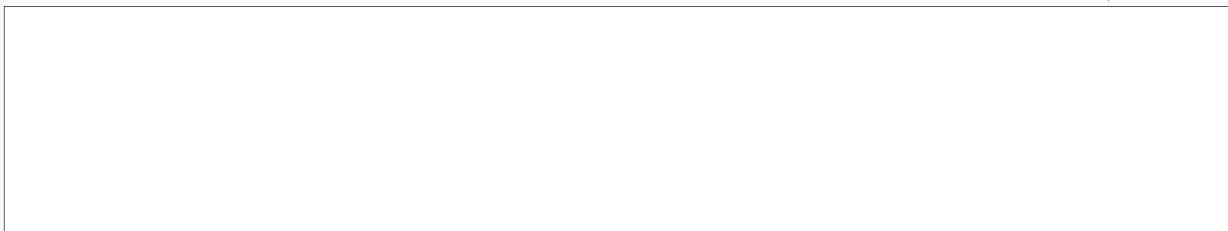
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**GENERAL****1. Uruguay may reopen legation in Moscow:**

The Uruguayan government may send a diplomatic representative to Moscow, a reliable government source has informed the American embassy in Montevideo.

The finance minister is said to be backing the move, which will receive further consideration when Foreign Minister Rompani returns to Montevideo from the United States.

Comment: Expansion of Soviet-Uruguayan trade may have led Montevideo to consider re-establishing diplomatic representation in Moscow. Direct Soviet imports from Uruguay rose sharply from virtually nothing in 1952 to nearly \$20,000,000 worth in 1954. Uruguayan interest in Soviet products has also increased recently.

Although the USSR maintains a legation in Montevideo, Uruguay's legation in Moscow has been closed since 1947. Uruguay has at times considered breaking diplomatic relations, alleging that Soviet representation in Montevideo served no useful purpose.

Reopening of the Uruguayan legation would be a success for Soviet efforts to expand diplomatic relations with Latin America by means of stepped-up trade promotion. It could increase pressure in other Latin American countries, especially Brazil, for renewal of diplomatic and commercial relations with the USSR. Only Argentina, Uruguay, and Mexico now maintain diplomatic relations with the USSR. (Concurred in by ORR)

**SOVIET UNION****2. Probable transfer of Soviet naval vessels to Far East via Northern Sea Route:**

**Comment:** This activity coincides with the annual summer opening to navigation of the Northern Sea Route. In July 1954, a group of five long-range submarines and a group of 18 unidentified minesweeper and destroyer-escort types left the Northern Fleet area for Vladivostok via this route.

The Soviet naval construction program has progressed to the point where the number of cruisers, destroyers and submarines produced in Soviet European yards apparently is meeting operational requirements for the European fleets and a number of these types can now be transferred to the Far East.

#### FAR EAST

**3. Communists may propose further reduction of neutral teams in Korea:**

[redacted] delegate to the Neutral Nations Supervisory Commission (NNSC) in Korea recently [redacted]

[redacted] thought the number of inspecting units could be reduced to one team each in North and South Korea. American officials believe the Communists may make such a proposal at the meeting of the Military Armistice Commission on 14 July.

**Comment:** The 14 July meeting is to discuss a recommendation of the NNSC to both sides that the teams be reduced from five to three teams in each half of Korea. This reduction was proposed last April by the Communists after they had rejected a Swedish proposal that all teams be withdrawn.

A proposal for an additional reduction would enable the Communists in their propaganda to contrast their reasonableness with the alleged American desire to abrogate the armistice. At the same time, they may believe that a token neutral representation would justify the continuance in operation of Article 13(d), which provides for neutral inspection and prohibits the introduction of additional military equipment.

**4. Soviet vessels sighted at Tsingtao:**

[redacted] reported sighting at Tsingtao between 1 and 4 July the two Soviet destroyers and four submarines which were previously observed en route from Vladivostok to Communist China. One of the submarines was flying the Chinese Communist flag, indicating that it had already been transferred to the Chinese navy.

Transfer of these ships would bring Chinese Communist destroyer strength to four and the number of submarines to 11. Such a transfer would greatly increase Chinese Communist offensive capabilities, according to US Pacific Fleet intelligence. [redacted]

**Comment:** A convoy of six Soviet 300-ton patrol craft has arrived at Tsingtao in the past week and may also be turned over to the Chinese. The Chinese Communist navy may have been further strengthened by the acquisition of additional Soviet craft, including three submarines, which were based at Port Arthur. With the exception of several small craft, all the Soviet vessels at Port Arthur apparently remained there following the evacuation of Soviet forces in May. [redacted]

### SOUTHEAST ASIA

**5. Indonesian army leader says cabinet must resign:**

[redacted] Colonel Simbolon, army commander in North Sumatra, who claims to be the architect of the army's current stand

and future plans, told the American consul in Medan on 8 July that the cabinet must resign. He said the army was "playing for keeps this time" and would insist that an acceptable minister of defense and other honest and capable ministers be included in the new cabinet.

He said the present crisis is the culmination of a "cold war" between Defense Minister Iwa and the army command. He said he had persuaded his fellow officers they could retreat no further and must win on "this issue" or younger officers would take over and "settle in their own way."

**Comment:** Colonel Simbolon, who is strongly anti-Communist and has been an outspoken opponent of the pro-Communist defense minister, was the choice of professional army officers for the post of chief of staff.

Although the army remains practically unanimous in its opposition to General Utoyo, there appears to be a considerable difference of opinion as to the army's maximum and minimum demands. A proposal issued by army headquarters in Djakarta as a basis for negotiation with the government suggested only the dismissal of Utoyo and the reinstatement of former acting chief of staff Lubis. Other army factions, however, are reported supporting Simbolon's position.

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#### 6. Comment on TASS statement regarding German issue:



The TASS statement of 12 July on the German problem is defensive in tone, reflecting Soviet sensitivity to Western charges that Moscow has lost interest in German unification.

At the same time, the statement indicates that the USSR, while denying these charges, wishes to avoid the unity and free elections issues at Geneva and to concentrate on proposals for European security, which it says would be a step toward German unification. TASS justifies this attitude by claiming

that the inclusion of West Germany in Western military blocs, rather than disagreement on the free elections question, is the major obstacle to German unification.

The TASS statement includes no new proposals on Germany and does not specifically call for discussions on Germany at Geneva. It implies that agreement on unification may not be possible now and stresses that a prerequisite is a rapprochement between East and West Germany. The Soviet call for a European collective security system is not new; any new proposal would probably be put forward at the summit conference. [redacted]

7. Khrushchev's position strengthened by Central Committee meeting:

[redacted] The recently concluded meeting of the Central Committee, held from 4 to 12 July, marks a further and significant consolidation of Party First Secretary Khrushchev's position.

The appointment of A. I. Kirichenko, Ukrainian party boss, and M. A. Suslov, central committee secretary, as full members of the all-powerful party Presidium bring into this policy-making body men who have been associated with Khrushchev for many years. Kirichenko, identified last year as a candidate member of the Presidium, has attained this position of power during the rapid rise of Khrushchev, which resulted in Malenkov's demotion. M. A. Suslov has worked with Khrushchev since 1947 in the party secretariat.

The appointment of two of the three new party secretaries also reflects Khrushchev's hand. D. T. Shepilov, Pravda's editor, has accompanied Khrushchev on his recent visits to Peiping and Belgrade, apparently acting as ideological expert. N. I. Belyayev, first secretary of Altai Krai, an expert on agricultural matters, championed an aggressive agricultural program even before Khrushchev presented his to the Central Committee in February 1954.

The Central Committee meeting also heard a report on the convening of the 20th Congress of the Communist Party, not required by party rules until October 1956. The probable early calling of the congress would appear to be a move by Khrushchev to consolidate his power while he is in the ascendancy. If he is able to secure the election of a Central Committee subservient to his leadership at the congress he will have achieved an almost impregnable position as the most powerful member of the party Presidium.

The timing of the Central Committee meeting and the announcement of its decisions increases the impression that Premier Bulganin will attend the Geneva conference as head of state in name only, and underlines the fact that power in the USSR is still firmly controlled by the party, led by its first secretary, N. S. Khrushchev.