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CENTRAL INTELLIGENCE AGENCY

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Approved For Release 2003/09/26 : CIA-RDP79T00975A000200530001-0

SUMMARY

25X1

FAR EAST

25X1

3. Chinese Nationalists continue to reject US-UK Japanese peace treaty proposals (page 4).
4. Large Viet Minh concentration reported south of French defenses in Tonkin (page 5).

EASTERN EUROPE

5. Polish Government planning industrialization on long-range basis (page 5).

25X1

7. Czech Foreign Office accuses US of distorting Oatis case (page 7).

WESTERN EUROPE

8. Soviets relax Berlin trade restrictions (page 7).

LATIN AMERICA

9. New labor stoppage in Chilean copper industry (page 8).

25X1A

25X1A

Approved For Release 2003/09/26 : CIA-RDP79T00975A000200530001-0

25X1

Approved For Release 2003/09/26 : CIA-RDP79T00975A000200530001-0

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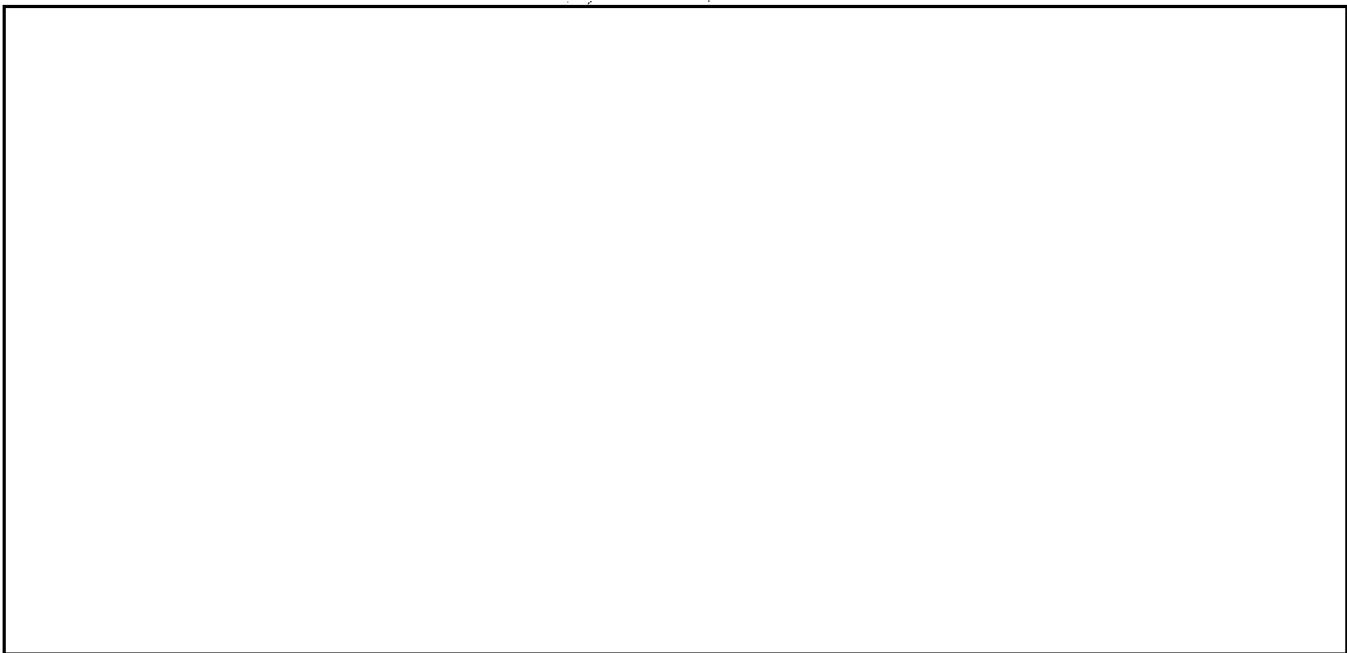
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FAR EAST



3. Chinese Nationalists continue to reject US-UK-Japanese peace treaty proposals:

25X1A

the other Allies in a multilateral treaty or a bilateral treaty to be signed

- 4 -

25X1

Approved For Release 2003/09/26 : CIA-RDP79T00975A000200530001-0

25X1A

Approved For Release 2003/09/26 : CIA-RDP79T00975A000200530001-0

severally by all Allies concerned." Yeh's statement was prompted by a Washington report crediting him with committing the Chinese Nationalists to the US-UK decision regarding Chinese accession to the Japanese Peace Treaty.

Comment: Nationalist sensibilities notwithstanding, current indications suggest that the US and UK intend to proceed without Chinese co-signature, and that any bilateral agreements will be left to the discretion of a "sovereign and independent" Japan itself.

4. Large Viet Minh concentration reported south of French defenses in Tonkin:

25X1A

30,000 to

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[redacted] 40,000 enemy troops, many of whom are apparently new arrivals, are concentrated west of Phuly, on the southern perimeter of the Tonkin Delta defenses. This force is so situated that it can move into position to attack these defenses within 12 hours.

Comment: [redacted]

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[redacted] French regular forces in the entire Tonkin defense triangle number only about 67,000. The fact that there are now no large Viet Minh forces remaining along the northern defenses arouses a suspicion that the Chinese Communists might fill this vacuum. [redacted]

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EASTERN EUROPE

5. Polish Government planning industrialization on long-range basis:

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[redacted] The US Embassy in Warsaw sees no evidence indicating that Poland is retarding or postponing the construction of heavy industrial projects in favor of greater concentration on items of more immediate military utility. According to the Embassy, Poland has achieved impressive industrial progress during the past sixteen months and seems preoccupied at the moment with insuring the orderly achievement

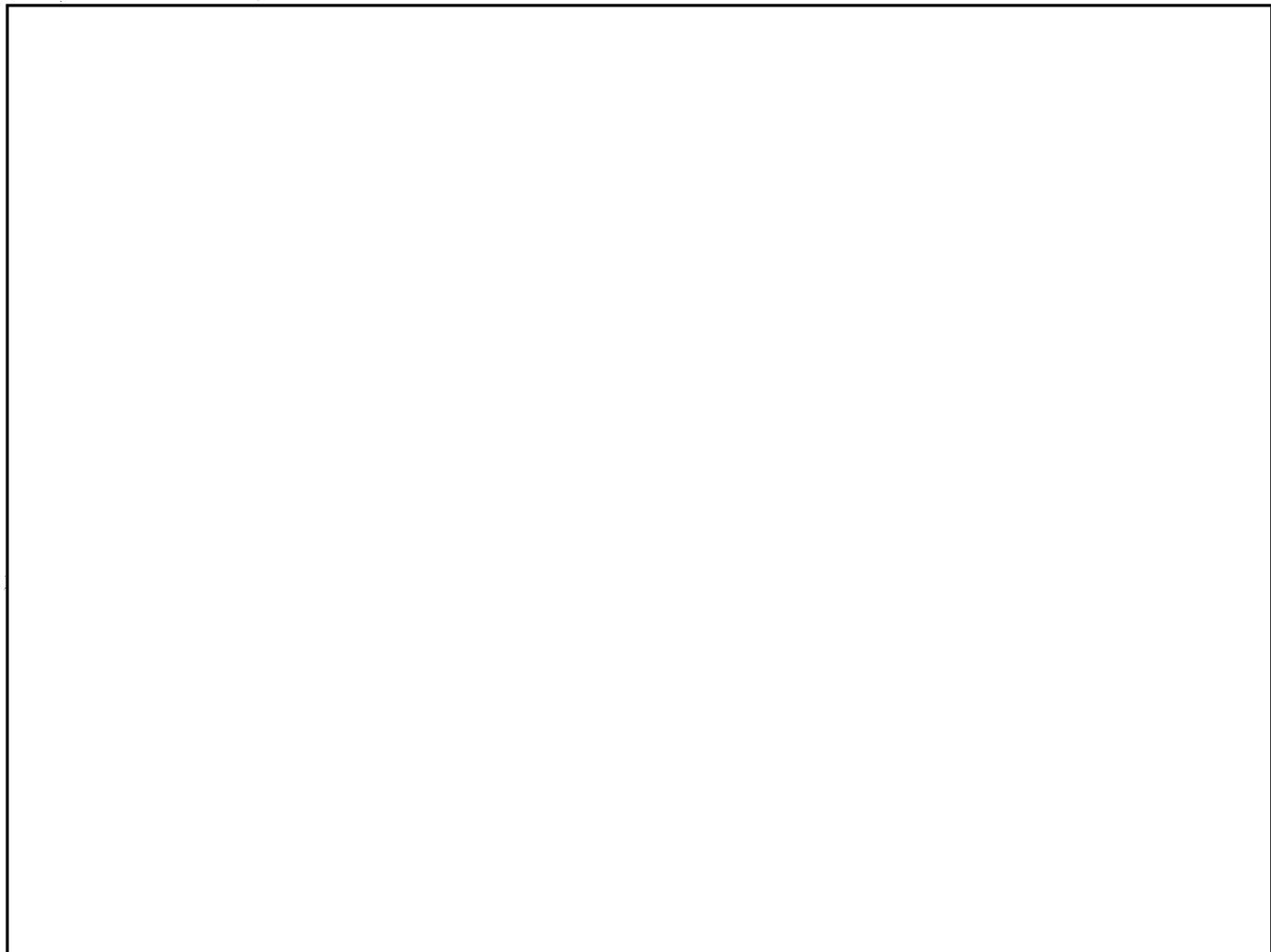
25X1A

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of production goals. The Embassy points out that this emphasis on industrialization should contribute appreciably to the Communist war potential within the next few years.

Comment: All available information indicates that Poland has stressed the expansion of its heavy industry under the Six Year Plan and placed less emphasis upon construction of immediate military usefulness. This orientation constitutes a sound psychological appeal to the nationalistic Polish people, who see in this industrial expansion the growth of their country.

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7. Czech Foreign Office accuses US of distorting Oatis case:

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Czech Foreign Minister Siroky has informed the US Ambassador in Prague that the Foreign Office has washed its hands of the case of arrested US newsman Oatis because of US press and radio

distortions of his prior meeting with the Ambassador on this matter. Siroky stated that Oatis would be tried within a few days and that a US Embassy official could attend the trial. According to the Foreign Minister, Oatis has made a "full confession" of "serious crimes against the Czech state." The US Ambassador comments that Oatis will probably endorse a confession at his trial and may even appear as a defector.

Comment: In a discussion of the Oatis case with the US Ambassador on 16 May, Siroky charged that the US was sponsoring Radio Free Europe, whose operations were creating an unfavorable atmosphere. As a result of a subsequent news leak in Germany, the Western press published reports that the Czechoslovak Government had demanded the suspension of Radio Free Europe in return for the release of Oatis.

WESTERN EUROPE

8. Soviets relax Berlin trade restrictions:

25X1A

The USSR has relaxed its current restrictions on West Berlin's exports to the West, releasing several hundred requests for trade permits that it had hitherto refused to approve. At the

same time, however, S. A. Dengin of the Soviet Control Commission has replied to Allied protests regarding the Soviet restrictions by claiming the right of the Soviets to control shipments from West Berlin as a means of

25X1A

25X1A

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ensuring that no illegally obtained raw materials from East Germany are included in those shipments. Allied and Soviet experts will attempt to work out a method of control. Meanwhile, the Allies are making it clear to Dengin that the resumption of negotiations for a trade agreement between East and West Germany is dependent upon the abandonment of Soviet restrictions on West Berlin exports.

Comment: This Soviet relaxation of restrictions appears to have resulted from the threat of firm Allied countermeasures, including the simultaneous embargo of key items from West Germany and West Berlin to the Soviet zone, as well as from the expectation of a prompt conclusion of an interzonal trade agreement, for which negotiations were halted by the West during the current dispute.

LATIN AMERICA

9. New labor stoppage in Chilean copper industry:

25X1A

An illegal strike of workers in two large US-owned copper mines -- begun four days ago -- has now spread to a third. Furthermore, nitrate, coal and railway labor leaders reportedly are actively negotiating for authorization from their unions to stage a strike supporting the copper workers' demands. Troops have been ordered to guard the three strike-bound mines, and a decree ordering the "renewal of work" has been issued by the government. President Gonzales Videla reportedly is planning to form a military cabinet if a solution is not found to "the present crisis."

Comment: In May, labor agitation reduced production at one mine by 50 percent, and the current strikes will severely affect total Chilean copper production for June, since approximately 95 percent of this production is controlled by the three large US-owned companies. It seems likely that the newly formed union of copper workers, whose strength has previously been untested, may be in a position to bargain successfully with the government as a result of the present strike movement -- which has been reportedly caused by the companies' rejection of the union's demands.

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