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FAR EAST

1. Popular pressure demands Japanese government act in fisheries dispute.

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Japanese fishing interests are continuing strong demands that the government take positive measures in the Japan-South Korea fisheries dispute, including a request for United States assistance under the US-Japan Security Treaty, according to the American embassy in Tokyo. The government now hopes that an early meeting of fishery representatives from both countries can reach an interim compromise that will pave the way for a resumption of official negotiations.

The embassy comments that there is little prospect of agreement as the Japanese will refuse to recognize the "Rhee line," which the South Koreans apparently consider a prerequisite to an agreement. Consequently, mounting political pressure may force the Japanese government to take retaliatory measures.

Comment: Incidents arising from South Korean actions to forbid Japanese fishing operations in international waters adjacent to Korea and any Japanese retaliatory measures would probably stimulate popular support for Japan's rearmament.

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3.3(h)(2)

3. Chinese mainland harvests considerably below last year's:

The American consul general in Hong Kong believes that Chinese mainland grain production in 1953 will be considerably smaller than last year. The Chinese Communist press has stated that the autumn harvests

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in certain districts declined this year due to drought and flood, and refugees and travelers from the mainland continue to confirm that agricultural difficulties in both Manchuria and China proper were greater this summer than in 1952.

Comment: Government income, a large part of which is requisitioned grain, will probably decline as a result of the poor 1953 harvest, and therefore the construction program might have to be curtailed. Despite the prospect of widespread food shortages next spring, Peiping will probably continue to meet its commitments to export large quantities of rice and vegetable oilseeds, because of its need for foreign exchange.

SOUTHEAST ASIA

4. Burmese oppose resumption of Bangkok talks:

3.3(h)(2)

The Burmese ambassador in Bangkok told an officer of the American embassy on 18 September that there was no purpose in re-opening the four-power negotiations for the evacuation of Chinese Nationalist troops from Burma. He indicated that further discussion should be conducted on the "diplomatic level" and suggested New York as the most suitable site.

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Comment: The Burmese government regards the last-minute Nationalist acceptance of the committee's evacuation plan as an opportunistic maneuver to impress the UN.

The Burmese withdrawal from the Bangkok talks provides the Nationalists with their main defensive argument in the General Assembly debate on Burma's complaint. The Taipei radio has already blamed the Burmese for the breakdown of negotiations and insinuated that they acted under the influence of the Soviet bloc.

NEAR EAST - AFRICA

5. Israeli military activity reported along Egyptian border:

[redacted] On 15 September twenty armed Israelis with military communications equipment entered the El Auja demilitarized neutral zone on the Egyptian-Israeli border (see map, p. 6). [redacted]

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[redacted] The Israelis reportedly occupied a defensive position near Birein within the neutral zone and informed a UN Mixed Armistice Commission observer that they had orders to remain the entire day.

At least two weeks earlier a new Israeli tent settlement had been established on Hill 311 near the neutral zone. In the past two weeks Israeli troops have made almost daily armed incursions into the neutral zone and attacked Arab bedouin settlements. Moreover, the insistence of UN observers that the Israelis leave the zone has apparently been ignored.

[redacted] this activity is apparently a deliberate move on the part of the Ben-Gurion government to gain control of the El Auja zone, which is believed to have sufficient water resources to sustain several Israeli settlements. [redacted] the Israelis may be taking advantage of Egypt's domestic troubles to gain their objectives in the border area.

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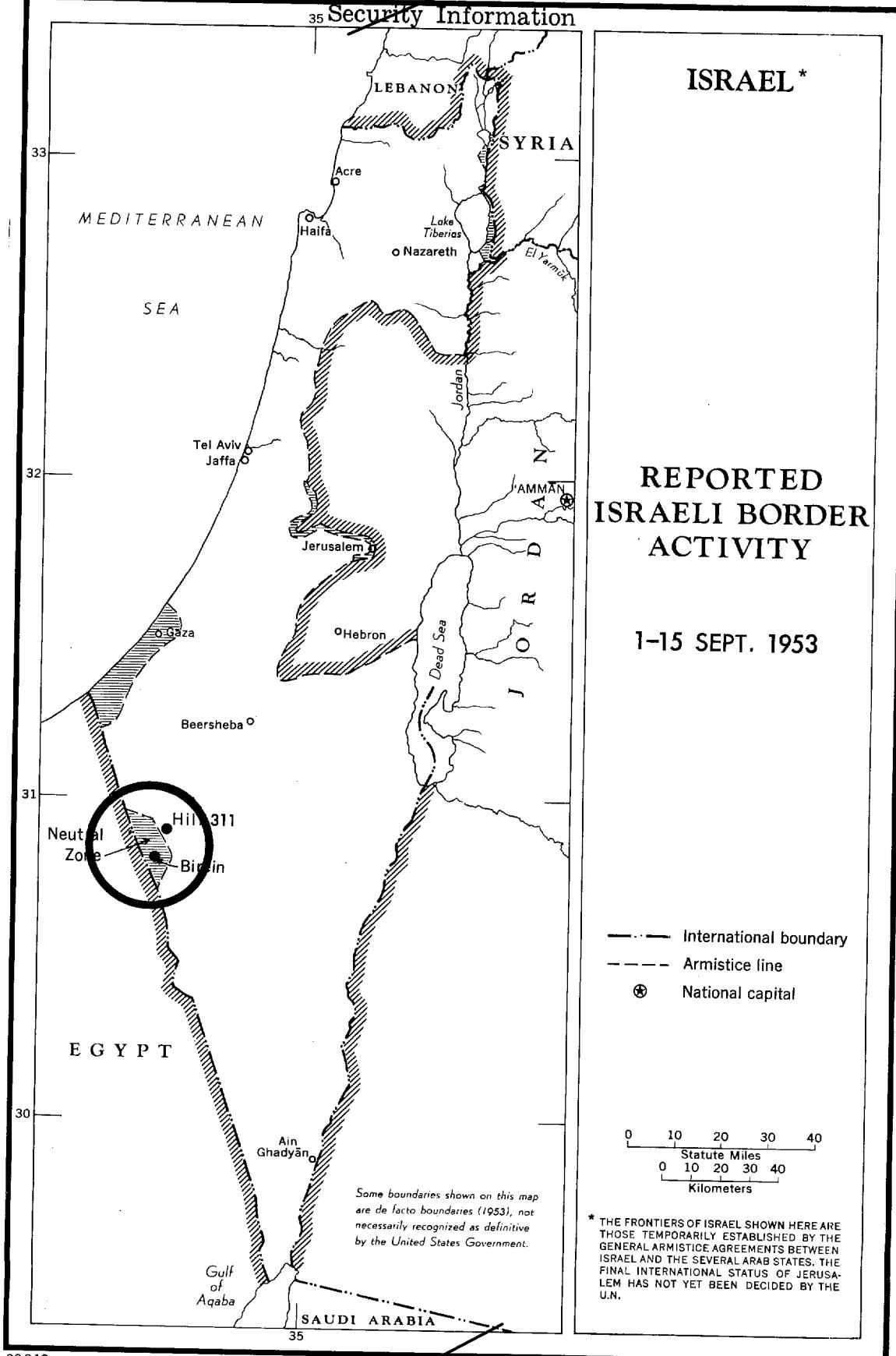
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Comment: This is the first report that Israel may now wish to enlarge its territorial control in an area it has long claimed and desired for future settlements. If the report is true, it is likely to increase the tension in the neighboring Arab states, which have recently protested Israeli construction work near the Syrian border as well as incidents along the Jordan frontier.

6. Britain to make conciliatory gesture toward Iran:

3.3(h)(2)

The British Foreign Office states that it is now "most anxious" to make a good-will gesture toward Iran, and therefore intends to comply with the recent Iranian request that delivery be completed on its 1950 orders for rails and other railroad supplies.

The Foreign Office states that it is also considering the "more elaborate" gesture of facilitating supply of the locomotives ordered by Iran in 1950 but never delivered.

Comment: These moves would represent the first tangible demonstration of Britain's intention to conciliate Iran without taking the initiative for resumption of diplomatic relations.

LATIN AMERICA

7. Chile reportedly receptive to Soviet bid for 50,000 tons of copper:

3.3(h)(2)

The American embassy in Santiago reports that the USSR has made Chile a firm offer to buy 50,000 tons of copper at 33.5 cents per pound. Finance Minister Herrera, in telling the Anaconda Copper representative of the Soviet offer on 16 September, stated that Chile must sell its copper at competitive prices both now and in the future.

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The Anaconda representative was convinced that Chile will sell to the Orbit unless it is deterred by the current Washington negotiations for American purchase of Chile's unsold copper stocks, amounting to some 100,000 tons.

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Comment:

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 Chile's current financial crisis, however, puts Ibanez under extreme pressure to sell copper to anyone willing to pay Chile's price.

The present world price for copper fluctuates just below 30 cents per pound. The 50,000 tons now under discussion is approximately one eighth of Chile's annual production.

8. Panamanian president reportedly to use Washington visit to press Eisenhower on Canal issue:

3.3(h)(2)

 President Remon expressed strong displeasure at the arrangements for his forthcoming state visit to Washington and declared that he would insist on political discussions with President Eisenhower and a joint presidential statement on Canal Zone problems.

Comment: Remon, who is scheduled to arrive in Washington on 27 September, has taken on himself complete responsibility for the outcome of the canal treaty negotiations which opened in Washington on 10 September.

Remon has been repeatedly warned that the United States intends to discuss only the "fulfillment and interpretation" of existing treaties, but appears to have been carried away by his own propaganda and to believe he can exact major concessions directly from President Eisenhower.

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