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CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. Soviet UN delegate points out change on prisoner of war issue:

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[redacted] of the Soviet delegation pointed out that there were important differences between the Chinese-North Korean proposal of 8

October on Korean prisoners of war and Vyshinsky's paraphrase in the General Assembly debate. The Soviet delegate emphasized that Vyshinsky's statement had omitted the specific details of the original proposal.

[redacted] the Soviet [redacted] 25X1 spokesman described this omission as significant, stating that the offer gave in to the US demand for reclassification.

Comment: The USSR has consistently maintained a more flexible negotiating position on the Korean problem than the Chinese and North Koreans. For the remainder of the General Assembly meeting, Soviet tactics can be expected to continue to concentrate on undermining support for the US negotiating position at Panmunjom and creating dissension among UN members.

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FAR EAST

3. Peiping-Colombo agreement to permit sharp increase in rubber sales to China:

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China is to buy up to 50,000 tons of rubber annually from Ceylon under the terms of a five-year agreement offered by Peiping, according to information received by the

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American Embassy in Colombo

The agreement also provides for Chinese shipments to Ceylon of 200,000 tons of rice annually at a cost of 56 pounds sterling per ton.

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Comment: These details may have been disclosed to the Embassy in the hope of obtaining a favorable counter-offer from the United States. If none is forthcoming, Ceylon will probably ratify the agreement because of the favorable terms offered.

The quantity of rubber under negotiation is more than double the amount obtained from Ceylon in the past year and is sufficient to meet China's rubber requirements. Ceylon's approval of the agreement would effectively nullify the UN-sponsored embargo on rubber shipments to China and strengthen the growing sentiment in Indonesia and Malaya for ending the embargo.

SOUTH ASIA

4. Pakistan faces serious financial problem despite bumper crop of jute:

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Preliminary estimates by reliable trade sources indicate that the new crop of Pakistani jute, which will soon enter the market, may total 8,000,000 bales.

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Comment: Despite the fact that India and Pakistan now produce almost twice as much jute as was produced annually prior to 1947, it is probable that they will be able to dispose of the new crop because of present low prices.

The Government of Pakistan normally obtains a major part of its income from export duties on jute and cotton. Since the present price for jute does not permit any substantial export levies, the government faces a serious financial problem.

WESTERN EUROPE

5. West German official hints at rejection of reduced US aid:

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[redacted] offer of less than \$100,000,000 in American assistance for fiscal year 1953 might lead the Federal Republic to decline aid entirely. He took the position that aid to Germany should be commensurate with that extended to other countries, and should not be based on need alone.

He also indicated that Germany should not be required to make an early large financial contribution to defense, but should be permitted to strengthen its economic position for the next two years, after which it could make a "real contribution to defense."

Comment: Aid to Germany for fiscal year 1952 amounted to \$106,000,000. It is probable that Germany would decline a substantially smaller amount for the next year if present conditions on use of aid funds were reimposed.

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