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FAR EAST

1. New Soviet jet units rushed into Korean combat:

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Two new jet fighter units, probably regiments, aggressively engaged UN aircraft all the way from Antung to Pyongyang in their first appearance on the Soviet GCI net at Antung on 6 August.

comments that it is highly unusual for new Soviet elements to enter combat without several weeks training on the GCI net, and regards this development as a "frantic" Communist reaction to the UN "get tough" bombing policy.

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Comment: Combat contacts between UN aircraft and Communist jets were unusually high on 6 August. Of 239 MIG-15's observed, 90 made contact and six were destroyed.

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3. Comment on MacDonald's statement emphasizing Vietnamese independence:

British Commissioner General for Southeast Asia MacDonald may have been intending to force the French to clarify their relationship with the Associated States when he called attention to Letourneau's June statement in Washington that Vietnam, Laos, and Cambodia enjoy what amounts to dominion status within the French Union. At a press conference MacDonald praised Letourneau's sincerity which has "proved beyond doubt that France's purpose is the complete national freedom of Vietnam, Laos, and Cambodia on a basis of fraternal equality with France and other free nations."

MacDonald was in effect outlining the aims of Vietnamese nationalism, not current French policy. Letourneau's remark elicited a rebuke by President Auriol and was censored in Saigon and apparently in Paris.

NEAR EAST- AFRICA

4. Iranian note to Great Britain indicates no desire to compromise:

Ambassador Henderson reports that the 3.3(h)(2)
7 August Iranian note to Great Britain which offered to reopen oil negotiations was ill-timed and appeared to nullify current American and British efforts to prepare a joint approach to Iran.

Comment: The intemperate Iranian note demands several million pounds allegedly owed to Iran by the Anglo-Iranian Oil Company. It shows that Mossadeq has no intention of compromising with the British despite Iran's desperate need for funds.

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EASTERN EUROPE

5. Czech Communists step up production and socialization campaign:

[redacted] The US Embassy in Prague believes that the Czech Communist regime now feels itself strong enough to take vigorous measures to increase industrial production and liquidate "class enemies." The Ministry of State Control and the newly created Ministry of Railroads have been given extraordinary powers to deal with production lags and labor problems. The drive against the kulaks is being intensified, and the Embassy anticipates that the deportations of "politically unreliable" from Prague, Bratislava and Brno will spread.

Comment: An intensified socialization drive has been apparent in both Czechoslovakia and Hungary since June. The Czech campaign points up the fact that the party has recovered from the effects of last winter's major purges.

WESTERN EUROPE

6. Austro-Polish trade talks broken off:

[redacted] The Polish delegate at the Austro-Polish trade negotiations in Vienna has "temporarily" suspended discussions and returned to Warsaw. Prior to his departure, he proposed an interim three-month extension of the existing agreement with a 25 percent increase in selected quotas.

The Austrians are reportedly receptive to this proposal; they believe, however, that the possibility of concluding a new agreement in November will depend on the urgency of Poland's need to sell coal at a time when Austria is faced with a winter coal shortage.

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Comment: The probability that Poland is counting on a weakening of Austria's bargaining position emphasizes Austria's need to use its favorable coal credit with Poland immediately to increase its stockpiles of coal.

7. Dutch Foreign Minister disgusted with Schuman Plan meeting:

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[redacted] Dutch Foreign Minister Stikker has informed the American Embassy in The Hague that at the recent meeting in Paris he told the Schuman Plan ministers of his disgust at their "pettiness, indecision and nationalism."

In an effort to put an end to the "scheming" of France, Italy, Belgium and Luxembourg for individual advantage in the organization, he offered to forego such advantages for the Netherlands provided the other countries would "get together, organize, and get something done." Monnet, the real author of the Schuman Plan, twice offered to resign and accused French Foreign Minister Schuman of having "sunk the cause of European unity."

Stikker does not expect any concrete results from the current meeting in Luxembourg.

8. Shift in French policy toward Spain indicated:

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[redacted] Following the lifting by Britain of the embargo on certain semimilitary shipments to Spain, [redacted]

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"it is not to our interest to leave to Great Britain the exclusive benefit of a change in attitude, the initiative of which rests with us."

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Comment: A desire for closer relations with Spain recently became evident in contacts made by certain French military and political leaders with the Spanish Embassy in Paris.

This growing interest in Spain stems from France's fears of a resurgent Germany and its desire to strengthen its position vis a vis the Arabs by cooperation with Spain.

LATIN AMERICA

9. Argentine labor may attempt coup:

The General Confederation of Labor may attempt an early coup,

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Comment: The death of Senora de Peron has increased the likelihood of conflict between labor and the army. This is the first report suggesting that labor is prepared to take direct action to preserve its influence on the government.

The reported existence of an army plot to overthrow Peron, tentatively scheduled for the near future, might cause the General Confederation of Labor to attempt a preventive coup to "protect" Peron.

The General Confederation of Labor is effectively infiltrated by Communists.

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