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SECURITY INFORMATION~~

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SECURITY INFORMATION**GENERAL****1. Comment on announcement of Sino-Soviet trade and credit protocols:**

Moscow's announcement on 26 March of the signing of protocols on Sino-Soviet trade for 1953 and on Soviet credits to China does not represent a new Soviet loan to China. China and the USSR have been signing similar protocols every spring since 1950, when the Sino-Soviet treaty and its supplementary agreements were concluded.

Peiping is known, however, to be receiving from the USSR supplementary credits which the 26 March announcement does not mention. The 1950 credit agreement allocated China \$60,000,000 a year for five years, or \$180,000,000 through 1952. Peiping had used at least \$248,000,000 by the end of 1952 and must therefore already have received new loans or advances on the unused portion of the 1950 credit.

SOVIET UNION

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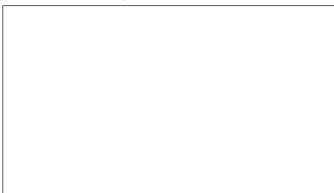
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Comment: This incident appears to fall into the pattern of previous Soviet reaction to flights by Western aircraft involved in real or suspected violations of Soviet Orbit boundaries.

FAR EAST

3. Two new Chinese Communist air divisions identified:



two previously unidentified Chinese Communist air divisions, the 31st and 34th, both probably located in South China. These units appear to be in an early stage of organization, and their precise location, operational status and type of aircraft are not known.

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Comment: This brings to 28 the number of Chinese Communist air divisions firmly identified. Since Peiping's air units are apparently numbered consecutively, however, there may now be 34 of these divisions.

SOUTHEAST ASIA

4. Burma would prevent charges against US in UN appeal:



The Burmese Government, in its appeal to the UN on the Chinese Nationalist issue, will make every effort to prevent discussion of American involvement.

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the Burmese War Office had obtained enough evidence to prove Burma's case against Taipei.

Comment: A possible deterioration in American-Burmese relations is indicated, however. The Burmese did not advise the United States in advance of the date of its appeal and there have been reliable reports that the Burmese leadership has been criticized by its partisan supporters for being too friendly to the United States.

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NEAR EAST - AFRICA

5.

3.3(h)(2)

6. Lebanese President promoting Arab-Western rapprochement:

[redacted] Lebanese President Chamoun is visiting Arab 3.3(h)(2) capitals to try to convince top leaders of the necessity of cooperating with the West in regional defense planning.

[redacted] Chamoun favors a conference of foreign ministers to discuss Arab and Western defense plans.

He feels that Lebanon's opportunity to be the intermediary between East and West has been enhanced by rumors of a new pro-Arab American policy and that the Arabs must abandon their distrust of the West.

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Comment: Lebanon, a Christian-Moslem state with skillful leaders like Chamoun and Charles Malik, is in a unique position to bring the Arab states, Israel and the West closer together. The task will be very difficult, however.

7. Britain's delay endangers Egyptian defense talks:

Britain will probably postpone a decision on 3.3(h)(2) opening defense talks with Egypt until after it has assessed General Nagib's reply to President Eisenhower's letter explaining American interest in the future of the Suez Canal base. Anglo-Egyptian relations over the Sudan and Egyptian public statements will also influence the decision.

Britain has withheld shipment of four jet planes because of Nagib's recent statements demanding evacuation of the canal zone.

Comment: The Egyptian Foreign Minister on 24 March informed Ambassador Caffery that each day's delay makes it more difficult to control the excited military leaders and to stop their inflammatory speeches. Caffery emphasizes that further delay in starting the negotiations or Britain's insistence on presenting its proposals as a "package" may make it impossible to reach a defense agreement.

EASTERN EUROPE

8. Unrest in Rumania increases susceptibility to Western propaganda:

The American Legation in Bucharest reports 3.3(h)(2) that the present unsettled situation there has greatly sharpened the average Rumanian's interest in and susceptibility to Western, particularly American, propaganda.

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Recent price increases and rumors of an impending currency reform have led to panic buying in Bucharest. This aggravates the already tense atmosphere there, which was evidenced by the discovery of anti-regime leaflets near the Rumanian capital last week and the imposition of stricter security measures following the death of Stalin earlier this month.

Comment: Peasant resistance and general unrest increased during the last year in Rumania because of the tighter economic policies of the regime and a very poor harvest due to severe drought.

Although the dramatic events of the past month have no doubt contributed to general unrest, the Rumanian regime still retains effective control.

WESTERN EUROPE

9. Bonn ready with proposals on economic aspects of Saar problem:

3.3(h)(2)

According to a top Foreign Ministry official, West German Chancellor Adenauer and Economics Minister Erhard have worked out concrete proposals for negotiations with France on economic aspects of the Saar problem. The proposals do not touch on the French-Saar currency union, which the Germans are willing to accept.

Adenauer will be prepared to discuss these proposals when he comes to Washington in April.

Comment: Last month French Foreign Minister Bidault proposed that France and Germany submit sets of economic principles to guide economic experts in an examination of the Saar problem. If France now submitted its set of economic principles, technical discussions could take place this spring.

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SECURITY INFORMATION10. Mayer government's prospects for survival seen worsening:

[Redacted]

Premier Mayer's recent difficulty in obtaining National Assembly approval of a new loan from the Banque de France has made parliamentary observers more pessimistic about the government's future. His possible defeat on economic issues following the municipal elections in early May is now freely discussed. 3.3(h)(2)

Some consider that Mayer's fall could improve the prospects for EDC ratification since the old-line Radical Socialists might make less trouble if the battle were not led by a member of their party.

Comment: Mayer's impending departure for Washington was an important element in securing a favorable vote for the loan; nevertheless he received very slim support and there were numerous abstentions. Mayer is being widely criticized among his supporters for blaming France's present economic difficulties on former Premier Pinay's policies while at the same time endorsing those policies.

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