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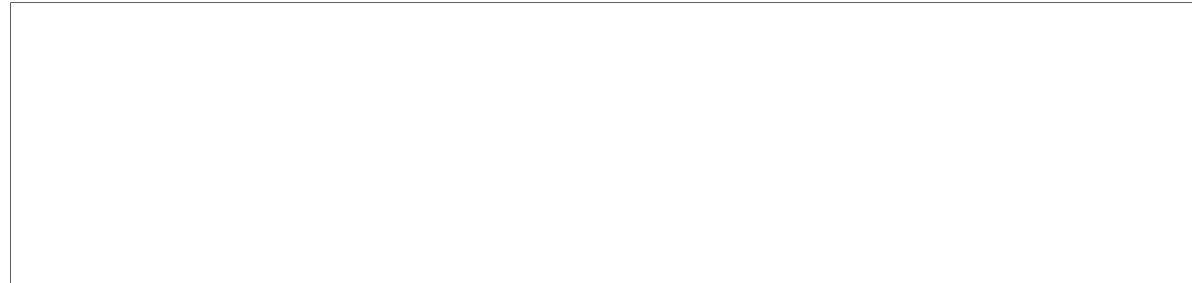
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GENERAL

1. East-West trader in Switzerland offers to sell nine cargo ships to Soviet Union:

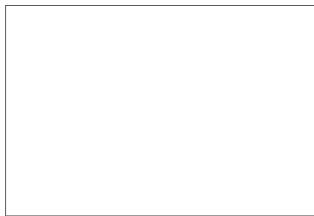


Comment: The Soviet Union's continued need for cargo vessels is reflected in the Kremlin's insistence that its 1953 trade agreements with Western European countries include orders for the construction of ships.

Decreased profits in Western maritime shipping operations in the past year have made more ships available for sale, and at reduced prices. Cargo ships of this size are subject to COCOM quantitative export control, but strong British pressure has developed for liberalization.

FAR EAST

2. Communist planes attack UN aircraft off west Korean coast:



On 22 January, 35 MIG-15's, assumed to be Chinese, attacked a UN air patrol over Korea Bay, approximately 40 miles southwest of Chongju. One MIG-15 apparently was downed.

Comment: Communist sensitivity to UN patrol action off the west coast has increased during the last few months, and on 30 December a UN jet fighter was fired on in approximately the same area.

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While the 22 January attack apparently occurred outside the air space defined in the truce agreement, the Communists could charge that the UN Command was violating the agreement by flying over small islands in this area.

3. Large number of armored vehicles sighted in Canton area:

A [redacted] merchant marine officer told the US army liaison officer at Hong Kong that he saw 72 "light tanks" parked on the Whampoa docks near Canton in South China on 27 December. These tanks looked like the British Bren gun carrier, an open armored reconnaissance vehicle, and their armament appeared to be a six-pounder. Also parked on the dock were four otherwise unidentified six-wheeled armored cars.

The liaison officer also reported [redacted] seven 30-ton armored vehicles at Canton on 7 December. The vehicles were not further described but were said to belong to a public security unit located at Canton.

Comment: This is the first reliable report of substantial numbers of armored vehicles in South China. Their presence at Canton suggests that an armored unit may have moved into the vicinity recently or that a new armored unit is being formed in the area.

NEAR EAST - AFRICA

4. Comment on stalemate in Soviet-Iranian border and financial talks:

[redacted] Soviet-Iranian talks on border and financial problems have been temporarily suspended to allow the Soviet delegation to obtain instructions from Moscow, according to the chief of the Iranian delegation. The Soviet ambassador left for Moscow on 21 January, apparently for consultation.

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Although it was originally agreed that the talks would deal alternately with border and financial issues, the Soviet delegation apparently has declined to discuss the latter. [redacted]

[redacted] states that the Iranian delegation asserted that it will not resume the talks until the USSR is ready to discuss them.

Iran reportedly was prepared to make claims for \$38,000,000 and to ask for a revision of the border which would return to Iran some areas now claimed by the Soviet Union. It is unlikely that the USSR will make any significant border or financial concessions to the present Iranian government. [redacted]

5. Henderson says supplementary financial aid to Iran will promote oil settlement:

[redacted]
Ambassador Henderson believes, and British chargé Wright concurs, that extension of supplementary emergency financial aid to Iran would produce an atmosphere more favorable to the success of oil negotiations and the durability of any resulting agreement.

Henderson points out that if a settlement were reached with Britain while the United States was refusing assistance to Iran, it would be an invitation to Iranian demagogues to contend that an agreement had been signed only under economic duress.

Comment: Since the beginning of the oil dispute with Britain, many Iranians have maintained that the United States was withholding aid in order to force an agreement.

6. Iranian government reportedly suspends balloting in five districts:

[redacted] the Iranian government has been obliged to suspend balloting in five constituencies involving seven Majlis seats.

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The suspensions are explained on the grounds of "procedural irregularities." The real reasons appear to be resistance to government attempts to rig the elections, indecision concerning candidates to be supported, and conflicting political deals made by government-sponsored candidates without Tehran's knowledge.

Comment: The necessity of suspending balloting so early in the election period suggests that the government will not get a friendly Majlis as soon as it had expected. On the basis of this initial reaction, the elections will probably be drawn out, and the government may have to resort to even more obvious intervention in order to ensure the election of its candidates.

EASTERN EUROPE

7. East German government fears antiregime demonstrations during conference:



Precautions ordered by the East German authorities provide new evidence that they are concerned over possible antiregime demonstrations during the Berlin four-power conference. Police forces in East Berlin have been strengthened, and special patrols have been set up.

SED investigation of "enemy activities" designed to disrupt the conference has revealed open discussion of strike and demonstration plans in East Berlin factories, as well as "invitations" to nearby villagers to demonstrate against the regime during the conference.

Comment: The East German government is facing an increasingly difficult problem in the attempt to achieve a peaceful atmosphere in East Berlin while maintaining adequate police precautions against disorders. Antiregime demonstrations would seriously weaken the Soviet argument that a provisional all-German government must include representatives of the East German regime.

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WESTERN EUROPE

8. French government may change position on EDC:

[redacted]

According to Defense Minister Pleven's executive secretary, Premier Laniel is investigating possibilities of making EDC more palatable to the ex-Gaullists as a preliminary to Assembly debate. The premier is at present discussing with the ex-Gaullist ministers in his cabinet recent public statements by Pleven calling for less centralization of power in the EDC Commissariat and for a transition period in the implementation of the treaty.

Comment: Laniel has publicly stated his intention to bring EDC before the National Assembly as its first order of business after the Berlin talks. A bid for ex-Gaullist support along the lines reported, however, would probably, as in the past, weaken Assembly backing for EDC and lead to new demands for changes in the treaty.

LATIN AMERICA

9. New threat seen to American-Chilean copper negotiations:

[redacted]

The American embassy in Santiago reports that the Chilean government may submit new copper legislation to congress containing provisions unsatisfactory to the American-owned copper companies. Even if satisfactory legislation is presented, the congress may fail, as it did in 1951, to act on it.

[redacted] the Chilean foreign minister recently claimed to have received assurances that the United States will buy Chile's stockpile of copper as soon as legislation is presented to the Chilean congress.

Comment: In the prolonged negotiations with Chile regarding the possible purchase of its 100,000-ton stockpile of copper, the United States has insisted on new Chilean legislation defining the status of the American companies.

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Any new delay in the negotiations would be almost certain to cause further deterioration in Chile's already precarious economic and political situation. President Ibanez still insists that the copper will not be sold to the Orbit, but many Chileans, including the president of the Chamber of Deputies, who recently returned from Moscow, are now pushing for such sales.

10. Peru reportedly may not attend Caracas conference:

[Redacted]

Unless a solution for the Haya de la Torre case can be found prior to the opening in Caracas on 1 March of the Tenth Inter-American Conference, Peru will probably refuse to attend, according to the American embassy in Lima.

Comment: [Redacted]

[Redacted]

Peru's refusal to date to grant Haya de la Torre a safe-conduct and thereby end his five-year asylum in the Colombian embassy in Lima has been motivated primarily by the ruling families' bitter hatred of the Peruvian opposition leader.

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