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SOVIET UNION

1. Ambassador Kennan analyzes changes in party structure:

Ambassador Kennan points out that a *Pravda* article of 26 August confirms that the establishment of a Presidium merely formalizes an already existing situation. The article suggests that since the war, control over the party apparatus has rested with the Secretariat.

3.3(h)(2)

The Ambassador comments that under the arrangement now to be formalized, lesser members of the Politburo, and even Molotov himself, have apparently been excluded from control over personnel, which would also mean control over the delicate question of future succession. This latter function has apparently been delegated to Malenkov and a few people under him, working within the framework of the Secretariat and receiving general guidance from Stalin.

Comment:

3.3(h)(2)

Malenkov seems to be the Politburo member responsible for party appointments.

3.3(h)(2)

FAR EAST

2. Railroad construction plan in Southwest China revealed:

The Chinese Communists plan to build 600 kilometers of railroads a year in China's Southwest District.

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Comment: The Chinese have made a preliminary survey for 3,000 kilometers of new lines in Szechwan, Yunnan and Kweichow. They are also known to have definite plans for building 2,000 kilometers of new lines in the Northwest, but the timetable for this work is unknown.

These networks will link six western provinces and connect them with the main Chinese rail net. When completed, they will provide export outlets for an area now relatively isolated, but rich in agricultural, mineral and petroleum products.

NEAR EAST - AFRICA

3. General Nagib may change army commanders in Sinai region:

[redacted] General Nagib inspected the Egyptian garrison in the Sinai district for the first time on 22 August,

3.3(h)(2)

[redacted] The morale of these units is reportedly low and Nagib may appoint new commanders.

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[redacted] many officers in this area are considered hostile to Nagib. They apparently also fear that their profitable contraband trade with Israel may be suppressed.

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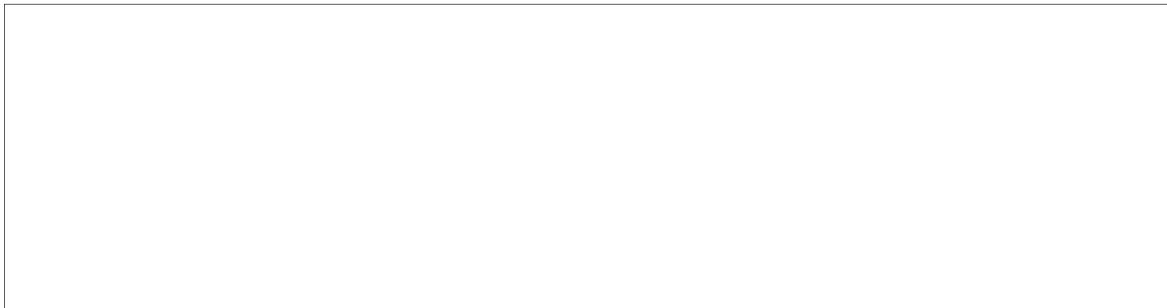
Comment: The Sinai troops located on the coastal area below Gaza include Egypt's only full division. These units did not participate in the recent military coup. This force and the Wafd Party are the chief threats to the continued control of the Nagib clique.

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3.3(h)(2)

4. Iran asks Turkey to mediate oil dispute:

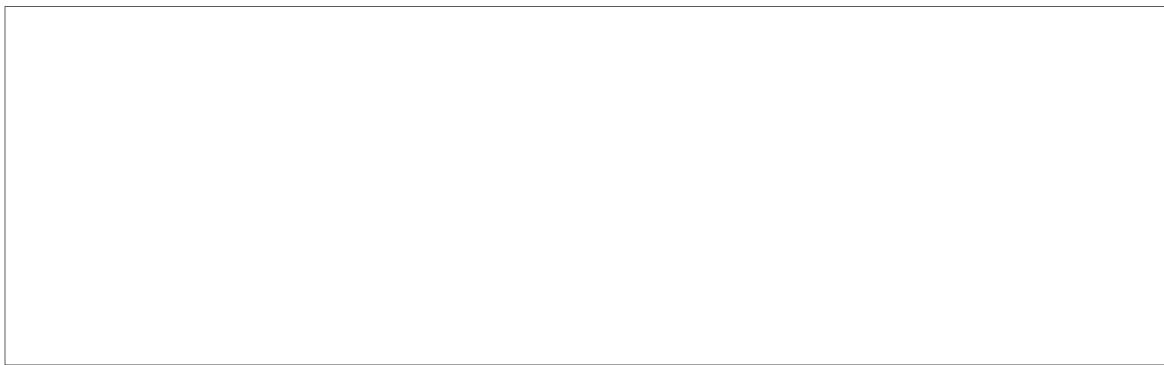


Comment: Mossadeq previously presented a similar request to the Italian Ambassador in Tehran. These approaches appear to be part of an attempt to put pressure on Great Britain.

Ankara has already informed its NATO representative that it favors American and British support of Mossadeq.

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5. Iranian Army ordered to avoid politics and civilian contacts:



Comment: This order is a direct contrast to those issued by Garzan during Qavam's brief rule, in which army commanders were urged to foster propaganda against the National Front because it was "allied with the Tudeh." This illustrates National Front success in limiting the army's political activity.

Garzan and other anti-government officers were retired on 25 August.

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WESTERN EUROPE

6. France may seek American concessions for ratification of EDC treaty:

France may still attempt to use ratification 3.3(h)(2) of the EDC treaty as a lever to force additional American support for French policy.

This was suggested by a Foreign Ministry spokesman's explanation of a reference to "related problems" in Schuman's message to Secretary Acheson on the US Senate's approval of the contractual agreement.

Schuman's statement that French ratification of the Bonn and Paris treaties would involve more difficulties was interpreted by the spokesman as referring to stronger American support in Indochina and North Africa and to additional assurance against German secession from the EDC. Such assurances would involve replacement by American or British troops of any divisions withdrawn by the Germans.

7. French and German officials comment on four-power talks:

The head of the Political Affairs Section of 3.3(h)(2) the French Foreign Ministry favors agreeing to another four-power meeting on Germany, despite its obvious futility. His personal opinion is that the latest Soviet note is a "signing-off on what the Russians had started in March." The USSR has abandoned hope of influencing the West against integrating West

Germany into Atlantic defense planning and is now concentrating on German opinion.

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Meanwhile, in West Germany an aide to Chancellor Adenauer states that it would be disastrous for the Western Allies to agree to a conference on Soviet terms, and that their reply should reverse the agenda order proposed by Moscow. Calling the latest Soviet note an "assist for our side," the German official stated that it would not delay ratification of the Bonn and Paris treaties by the Bundestag.

Comment: The French Government will probably insist on continuing the exchange of notes, and may even press for immediate talks if public sentiment develops in that direction.

8. Denmark seeks French support on Bornholm issue:

The Danish Government has asked France's opinion on the advisability of warning the Soviet Union of the consequences of any action against the island of Bornholm. The Danish Charge in Paris called attention to recent Soviet aggressiveness in the Baltic as well as Moscow's propaganda attacks on Danish cooperation with NATO.

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Comment: In response to mounting Soviet pressure, Denmark has not only sought such assurances of Western support, but has also formally asked that the NATO maneuvers in the Baltic be restricted to avoid provoking the Soviet Union.

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