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SOVIET UNION

1. Pravda reports extent of new Soviet emphasis on production of consumer goods:



In an editorial on 8 July Pravda stated that this year "additional reserves have been found for an increased output of consumer goods amounting to over twenty billion rubles

in excess of the envisaged annual plan for consumer goods turnover."

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Comment: Such an allocation of additional reserves by the government to expand the amount of consumer goods available on the market represents an increase of about 3-1/2 percent above the 11 percent planned annual increase specified in the fifth Five-Year Plan. It could probably be met without cutbacks from the 1952 level of armaments and capital goods production but would involve some decrease in their previously planned production growth.

FAR EAST

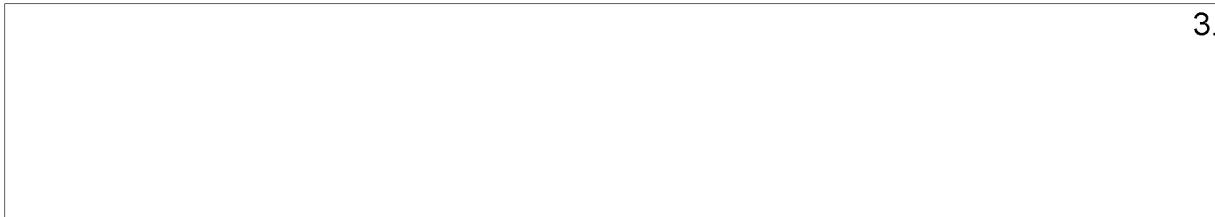
2. Release of Chinese prisoners by Rhee feared if Robertson talks fail:



The American embassy in Pusan is concerned 3.3(h)(2) over indications, which are still inconclusive, that South Korea may be considering a unilateral release of the Chinese anti-Communist

prisoners in the event the Rhee-Robertson talks fail.

The embassy notes that the prisoners are still guarded primarily by South Koreans, and quotes the American commander of the prison camps as stating that their release could not be prevented and their recapture would be difficult or impossible.



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SOUTHEAST ASIA

4.

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5. Burmese reportedly suspect US embassy of supplying arms to Chinese Nationalists:

The Burmese suspect the American embassy in Rangoon of supplying Chinese Nationalist troops with small arms, and have placed it under surveillance. 3.3(h)(2)

[redacted] a high government official was concerned by the repeated flights of the air attache's plane to Bangkok over territory in which the Chinese Nationalists are operating with the Karens. 3.3(h)(2)

Comment: While the Burmese have suspected the United States of supporting Li Mi's troops in the past, the embassy in Rangoon has not been under suspicion.

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The Burmese ambassador in Thailand has maintained friendly relations with the American embassy there, particularly in connection with the negotiations for the evacuation of the Chinese troops.

EASTERN EUROPE

6. Yugoslav diplomat believes Satellite discontent responsible for Soviet peace moves:

[REDACTED] 3.3(h)(2)

Yugoslav under secretary for foreign affairs Bebler stated on 8 July that the current Soviet peace offensive has been forced upon the Kremlin by widespread and growing discontent among the Satellites. Bebler noted serious unrest in Rumania, interpreted the change in Hungarian leadership as an effort to avoid a potentially explosive situation.

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Comment: There are no reliable signs that increased popular discontent has become explosive in Rumania, Hungary or Albania. Recent Soviet-sponsored reforms and conciliatory tactics appear to be calculated efforts to cope with long-standing internal and foreign policy problems rather than a response to a crisis situation.

On 8 July, Tito publicly cautioned that hopes for the accomplishment of any extraordinary change in Soviet aims would be "unrealistic" and strategically unsound.

WESTERN EUROPE

7. Dutch diplomat believes France will never ratify EDC treaty:

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The Dutch ambassador in London, Dirk Stikker, believes France will never ratify the EDC treaty. In his opinion,

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expressed to American officials in The Hague, the Soviet Union will be able to delay French action indefinitely because of the "leaks amounting to a pipeline" from the French Foreign Ministry to Moscow.

Stikker considers that West Germany's admission to NATO is the only "correct solution," but favors prompt EDC ratification by the smaller EDC countries in order to show up France as the holdout.

Comment: The Laniel government has already indicated that French EDC ratification is out of the question until the Saar issue is settled, the treaty protocols signed, and British association with the defense community clearly defined.

8. French government leaders stress need for prompt Indochina solution:



Defense Minister Pleven told Ambassador Hughes on 7 July that it will be difficult to withstand popular pressure for withdrawal of French troops if no other solution to the

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Indochina problem is found shortly. He said that France's best hope is that the "promise and fact" of greater independence for the Associated States would pull non-Communist nationalist elements away from the Viet Minh.

Both Premier Laniel and Deputy Premier Reynaud agreed with Pleven that General Navarre's plan for a stepped-up war effort by the French is out of the question. If the present French government cannot negotiate "some relatively satisfactory arrangement," they warned, Mendes-France will come to power and negotiate something far worse. Reynaud implied that American personnel experienced in training Koreans would be useful.

Comment: In recent conversations with American officials French government spokesmen have repeatedly used this implied threat of an early withdrawal from Indochina to buttress their requests for greater assistance.

While the French earlier decided against the mass-production training methods used in Korea, events will probably force an appeal for more than financial aid.

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