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GENERAL

1. Finnish firm negotiating for construction of second cargo vessel for Communist China:

A Finnish shipyard is negotiating with Communist China for the construction of a second 8,000-ton cargo ship. The Chinese are willing to pay \$3,500,000,

half of it in sterling. The yard is anxious to secure the contract since this "most favorable" price would help Finnish shipbuilding firms to get higher prices from the Soviet Union in subsequent negotiations.

Finnish government officials, who fear that the yard will sign the contract, state that severe political repercussions might follow any refusal to issue an export license.

Comment: The same firm contracted last August to deliver a similar vessel to Communist China in late 1954. These would be Peiping's first modern ocean-going vessels.

A representative of the Finnish shipbuilding industry suggested to the American minister in Helsinki recently that the United States help secure contracts from Western countries to reduce the industry's dependence on the USSR.

SOVIET UNION

2. Comment on Soviet decree attacking lagging grain production:

In the first major Soviet agricultural decree since last October, the party central committee has issued a sweeping indictment of the results of the new agricultural program and for the first time has attacked inadequate grain production. The State Planning Commission, which had escaped the recent barrage of criticism of economic ministries, was singled out for censure for misguiding agricultural production.

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In noting that grain yields have been insufficient to meet requirements of the expanding population, and that grain acreages have fallen below the 1940 level, the decree reverses Malenkov's statement of last August, with which Khrushchev concurred, that "the country has plenty of grain." The decree also makes the first official reference to "growing export needs." Grain exports, traditionally the most dependable Soviet foreign exchange earner, fell sharply in the past year but must play a major role in the projected expansion of Soviet trade with the West.

The government announced plans to reclaim more than 30,000,000 acres of marginal land in the next two years and to assign 100,000 other workers to the new lands, in order to remedy the grain shortage. Despite these measures, however, unfavorable soil and climate conditions in the areas to be reclaimed limit the prospects of success.

FAR EAST

3. South Korean foreign minister asks "clarifications" on Geneva talks:

Foreign Minister Pyun wrote Secretary Dulles on 3 March asking for "clarifications" on the Geneva conference before South Korea decides on whether to attend.

The foreign minister objected to the status of sponsor and "quasi-sponsor" given Moscow and Peiping respectively, and asked whether the assurances regarding a "strictly Korean" peace conference which Dulles gave President Rhee last August hold good at Geneva. He argued that simultaneous discussions on Indochina and Korea implied a "package deal for the Orient" and said his government could not allow the enemy to shift back and forth between the issues as a bargaining tactic.

Pyun also inquired if a deadline would be placed on the proposed parley and whether the United States would "abandon" peaceful means and resort to force again "after the failure of the conference."

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Comment: While the note reflects South Korea's concern over its ability to control the conference decisions, it also revives some of the issues previously settled by Secretary Dulles last August and suggests that it may demand some concession, as the price for its attendance at Geneva.

4. Chinese Communist bombers move to base near Tachen Islands:

Comment:

TU-2's involved in the move to Hangchow. Communist bombers at Hangchow could be used in an attack against the nearby Tachen Islands off the coast of Chekiang Province, now held by the Chinese Nationalists. Peiping is not expected, however, to undertake new military ventures prior to its appearance at the Geneva conference.

NEAR EAST - AFRICA

5. Iraqi prime minister presses for arms agreement with United States:

Iraqi prime minister Jamali on 4 March told Ambassador Berry that he wants to conclude an arms aid agreement with the United States immediately, so that parliament and the extremist press will have no opportunity to agitate against it.

In order to avoid the necessity of referring the agreement to parliament, however, Jamali urged that the provision relating to customs and taxation exemptions be eliminated. He also asked for deletion of references to Iraqi military services to be provided the United States and to the Western declaration of 1950 guaranteeing Middle Eastern borders on grounds that they would arouse strong opposition in Iraq.

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Comment: Jamali's cabinet reorganization on 8 March indicates that he continues to have at least the lukewarm support of ex-prime minister Nuri, who controls parliament. Jamali's continuance in office, however, is no assurance that he can secure parliamentary approval of an aid agreement or of his proposed adherence to the Turkish-Pakistani pact.

6. Anti-Bennike sentiment developing in Israel:

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The Israeli press, which has periodically criticized General Bennike, the UN Truce supervisor, has sharpened its attack since Bennike submitted his 24 February report on the continuing Arab-Israeli border tension. Comments range from the charge that Bennike lacks objectivity to the accusation that he showed "flagrant anti-Israel bias." According to the American embassy in Tel Aviv, Israel's reaction has been one of "stunned surprise and amazement."

Comment: Israel's initially favorable attitude toward Bennike changed to one of frustration and bitterness following his adverse decisions regarding the incidents on the Syrian and Egyptian borders last fall, and a press campaign has gradually developed against him. Since his recent report was submitted, more Israeli editorials are suggesting that his attitude and actions disqualify him for continuing in the UN post.

Most American observers in the area believe that General Bennike's approach to his difficult task has been one of firm impartiality.

EASTERN EUROPE

7. Czech Border Guard officers instructed in atomic weapons and countermeasures:

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Comment: Conduct of such training in a Satellite border guard formation makes it likely that similar training is under way in Satellite armies.

WESTERN EUROPE

8. France hoping for change in Washington's policy toward Peiping:

[Redacted]

According to the American embassy in Paris, Premier Laniel in his speech to the National Assembly on 5 March clearly implied that if an Indochina settlement is

to be agreed on at Geneva, France's allies will have to make concessions to Communist China. The Foreign Ministry representative who drafted Laniel's speech told the embassy that in his opinion success or failure of the Geneva conference will depend on whether the United States revises its policy toward China.

The Foreign Ministry official also stated that the conditions the premier outlined for a cease-fire in Indochina were purposely made unacceptable to the Viet Minh. This tactic was used to avoid consideration of the question in France before the Geneva conference.

9. Comment on ouster of French Communist leader:

[Redacted]

The ouster of Auguste Lecoeur from the French Communist Party's secretariat indicates an intensification of the Communist campaign for united action with the Socialists

and "all patriotic Frenchmen" to defeat EDC. In the course of his 5 March attack on Lecoeur, acting party leader Jacques Duclos reiterated the party's willingness to support a government committed to blocking German rearmament.

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Lecoeur, until now considered France's number three Communist, had given only lukewarm support to Moscow-directed united front tactics. His successor, Marcel Servin, has reportedly been in charge of the party's liaison with the USSR since the fall of 1950.

During the past year sentiment has been growing in non-Communist circles for a "popular front" including the Communists. Lecoeur's ouster will probably be cited as "evidence" of Communist sincerity by such groups as the recently formed Jacobins' Club. This organization consists mainly of Socialists, Radical Socialists, and Popular Republicans who are openly hostile to EDC and German rearmament and who advocate closer relations with the USSR. [redacted]

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