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SECURITY INFORMATION

14 May 1952

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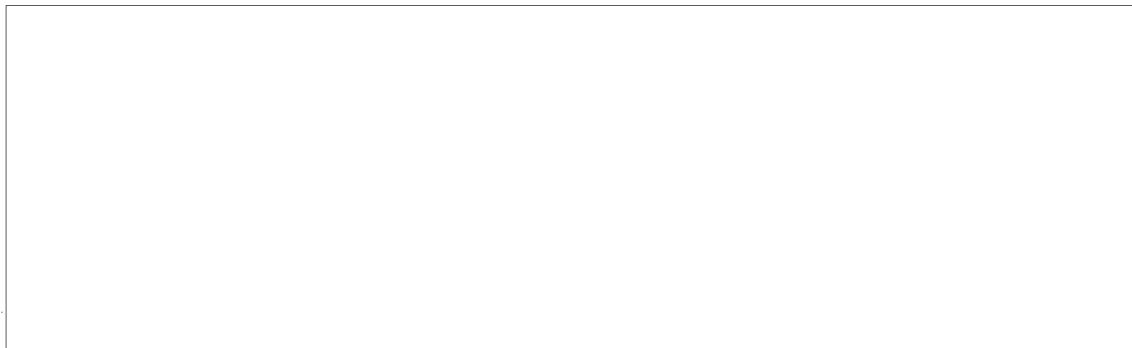
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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GENERAL

1. New Sino-Soviet trade procedures indicate further Orbit integration:

[redacted] international letters of credit are not to be used after 1 May to arrange payments in trade transactions between the USSR and Communist China.

3.3(h)(2)

[redacted] In place of the letter of credit procedure, the proposed system simply calls for billing of customers. The bill is to be forwarded by registered air mail from the seller's bank to the customer's bank. Penalties are provided for overdue payments.

Comment: This system is already used for trade within the USSR and for Soviet trade with the East European Satellites. Its extension to China would mark an advance in Moscow's program to achieve the economic integration of that country within the Orbit.

FAR EAST

2. American Minister says French face basic decision in Indochina:

[redacted] The American Minister in Saigon believes that 3.3(h)(2) unless the French and the Vietnamese Governments now make a "supreme effort" to execute a substantial reform program in Indochina, the French will have to negotiate with the enemy, broaden Western support, or continue the present stalemate.

Minister-Resident Letourneau, in order to dispel Vietnamese distrust, is now prepared to bring into the government nationalist elements with anti-French records. Furthermore, Paris is willing to permit the French Union to evolve into something more like the British Commonwealth. The American Minister points out, however, that even if all French restraints were removed, no prospective Vietnamese leadership could of itself produce results without constant United States pressure.

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[redacted] Indonesian Foreign Minister Mukarto told the Foreign Affairs Section of Parliament that preparations are under way for an exchange of ambassadors between Indonesia and Soviet Russia. In referring to the exchange, government officials have emphasized to American Embassy officers that all privileges, such as size of mission and opportunities for travel, must be "strictly reciprocal."

3.3(h)(2)

Comment: The present government's decision to exchange diplomats with Soviet Russia is a further indication of its intention to return to a strict interpretation of Indonesia's "independent" foreign policy. The former cabinet opposed having a Soviet embassy in Djakarta.

NEAR EAST - AFRICA**4. Mossadeq turns down compromise proposal on oil issue:**

[redacted] Prime Minister Mossadeq has turned down a new proposal to employ British technicians in Iran's oil industry. When informed by the American Ambassador on 11 May of a suggestion that the International Bank might employ foreign technicians if they carried United Nations passports, the Prime Minister said that Iran was just as much opposed to Britishers carrying United Nations passports as to those with British passports. He added that the Bank's insistence on using British specialists had convinced him that Iran should try for the present to operate its oil industry without foreign technicians.

3.3(h)(2)

Comment: The Ambassador's approach was made at the direct request of National Front leader Hossein Makki, who reportedly thought that Mossadeq might accept some British technicians on this basis. Makki's request suggests a growing desire among top National Front leaders to settle the oil dispute.

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EASTERN EUROPE

5. Czechs fail to carry out re-export plan in Argentina:

[redacted]

plans to re-export to the United States through Argentina be dropped if they could not be carried out on the terms originally proposed by the Ministry.

3.3(h)(2)

[redacted] contacts were extremely annoyed over the constant Czech delays and the reduction of the volume of trade originally estimated by the Czechs.

3.3(h)(2)

Comment: This is the first evidence of serious difficulties for the Czech plan to re-enter the United States market by exporting goods through third countries. Apparently only negligible quantities of Czech goods have reached the United States, some shipped in packets valued at less than one hundred dollars to eliminate the need for consular invoices.

3.3(h)(2)

6. Czech President Gottwald not expected to recover:

[redacted]

A leading Czech doctor has informed a Western 3.3(h)(2) diplomat that President Klement Gottwald contracted a severe case of pneumonia after he returned from East Germany in March and that his recovery is improbable. His health has been seriously weakened by sulfa treatments and a chronic liver condition. The source stated that drugs were used to enable Gottwald to attend the Prague Liberation Day ceremonies on 9 May.

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Comment: President Gottwald has not participated actively in government affairs since before the first of the year. At the military parade on 9 May he appeared weak and aged and took no active part in the ceremony.

Gottwald's continued incapacity has already lessened the ability of the government to push its industrial program. His death or retirement would probably have no further weakening effect on the government, nor mean a change in its present policies.

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