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SOVIET UNION

1. Soviet Union apparently abandoning work on Main Turkmen Canal:

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Comment:

3.3(h)(2)

One of the "great Stalinist projects," the 700-mile Main Turkmen Canal connecting the Aral and Caspian Seas was begun late in 1950 and is still in an early stage of construction.

Several other major construction projects, such as the tunnel or causeway from Sakhalin to the Far East mainland, are believed to have been abandoned since Stalin's death. This suggests that significant revisions in the capital investment program of the present Five-Year Plan are being implemented. Such revisions may result in increased investment in sectors of the economy where results would be more immediately apparent.

2. Soviet freight rate concession to Peiping indicated:

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Comment: This is the first indication of a recent reduction of Soviet rail freight rates for Peiping's benefit. Known charges paid by Peiping on imports by rail from European countries have heretofore corresponded with those published in the 1950 schedule of internal Soviet freight rates. According to this schedule, the charges on a shipment of fertilizer would be 280 rubles a ton.

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A concession on these costs may have been made at the April Sino-Soviet conference on through rail service. Growing trade between China and the Satellites has caused congestion at Satellite ports and increased the need for moving more goods overland.

FAR EAST

3. Rhee assassination plot alleged by South Korean police:

3.3(h)(2)
 Chough Pyong-ok, opposition Democratic Nationalist Party secretary general, who was beaten and arrested for opposing President Rhee's stand on the armistice, informed an American embassy officer on 24 July that he had been accused of plotting to assassinate the president.

The South Korean police charged him with being the principal instigator among eight others, including former Prime Minister Chang Myun, in a plan to install assembly vice-speaker Cho Bong-am as the new president. Chough regarded the charge as a clumsy attempt at a political frame-up.

Comment: Rhee has utilized the armistice crisis to eliminate any semblance of an effective opposition party. The Democratic Nationalist Party is on the verge of disintegration as a result of police intimidation.

There have been two other reports that Provost Marshal General Won Yong-tok had uncovered an assassination plot and arrested an unknown Korean as its ringleader. It is probable that Won invented the story to justify strong police action.

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WESTERN EUROPE

4. West Germans believe four-power talks still possible:

West German government and party leaders, commenting on the 22 July Pravda editorial, still see a possibility for four-power talks.

3.3(h)(2)

A high Foreign Ministry official believes that there will be further clarification of the Soviet position in Izvestia or in a formal reply to the three-power note. A Christian Democratic leader states that his party was somewhat relieved by the negative Pravda reaction since it lessened the danger of effective Soviet interference in the West German election campaign.

A spokesman for the opposition Social Democratic Party frankly admitted his party's deep disappointment at Pravda's negative attitude. He hoped, however, that this was not Moscow's final word, and that the way was still open for ultimate Soviet acceptance of the bid for four-power talks.

Comment: While these reactions are colored by the Social Democrats' desire for four-power talks and the coalition parties' opposition to them, the Pravda editorial has clearly set the USSR back in its unity propaganda campaign.

5. Adenauer seeks political advantage in publicizing his defense plan:

High Commissioner Conant, reporting on the Bonn government's release to the press of parts of Chancellor Adenauer's 8 July letter to the Washington foreign ministers' conference, states that the chancellor evidently hopes to exploit his collective security plan in the present election campaign.

3.3(h)(2)

This plan is designed to seize the initiative from the Social Democrats and the neutralists by convincing the German public that the EDC is compatible with German unity and is not an aggressive instrument. Adenauer, according to Conant, has now assumed the role of champion of peaceful achievement of German unification.

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Comment: Although Adenauer did not propose a nonaggression pact between the EDC and the USSR, as reported in the press, he did suggest the European community as the base for a general European collective security system, to which both the Western and Eastern European nations might adhere.

Adenauer's proposal represents an effort to solve his major electoral problem, which is the reconciliation of EDC with German unification while still avoiding neutralization. Other EDC nations may consider the plan premature and object to Germany's involving them in possible negotiations with the USSR on such an issue.

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