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~~TOP SECRET
SECURITY INFORMATION~~

~~TOP SECRET~~**S U M M A R Y****GENERAL**

1. German ratification of Israeli agreement will bring break with Egypt (page 3).

FAR EAST

2. Mao Tse-tung said to feel Peiping must follow Soviet leadership (page 3).

NEAR EAST - AFRICA

3. Comment on Iranian reaction to reported plans on oil dispute (page 4).
4. Americans and Poles reportedly implicated with Moroccan nationalists (page 5).

WESTERN EUROPE

5. Moves against West Berlin reportedly under discussion in East Germany (page 5).

LATIN AMERICA

6. Alleged revolt against Cuban Government (page 6).

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3.5(c)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

GENERAL

1. German ratification of Israeli agreement will bring break with Egypt:

A representative of the Egyptian officers' committee told the German Ambassador in Cairo that General Nagib will be forced to break economic relations with West Germany

3.3(h)(2)

if the latter ratifies the Israeli reparations agreement, even though such a rupture would create financial difficulties. Egypt is working "feverishly" to become economically independent of Germany.

The Egyptian Government is aware of Israel's catastrophic financial situation, which can be saved only by German reparations or American aid.

Comment: In spite of Egyptian firmness on this issue, the West German Federal Senate has thus far shown no inclination to postpone consideration of ratification. Moreover, no proposal has been suggested that seems capable of changing the united Arab stand against West German reparations to Israel.

FAR EAST

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2. Mao Tse-tung said to feel Peiping must follow Soviet leadership:

[redacted] gained the impression from conversations in educated circles that Mao Tse-tung feels that Soviet aid is so important at this time that China must follow Soviet leadership on

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international issues, such as the Korean war, even at temporary cost to national interests.

[redacted] pointing out that the current Chinese Communist leadership was not imposed by the Kremlin, states that some educated Chinese hope that Mao will remain in control of the party as long as possible, as they are concerned about his possible successors.

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Comment: Even before his regime was established in 1949, Mao made explicit its allegiance to the Soviet Union. He stated that aid would be accepted only from the USSR, and rejected the policy of "nationalist selfishness" exemplified by Tito.

Mao and his most likely successors, Liu Shao-chi and Chou En-lai, are all publicly committed to the same Stalinist program, and there is no known divergence in their private views.

NEAR EAST - AFRICA

3. Comment on Iranian reaction to reported plans on oil dispute:

Iranian spokesmen have in general reacted unfavorably to reports that the United States through the International Bank plans to advance Iran \$100,000,000 to pay compensation to the British, the loan to be repaid through the sale of oil to American companies.

Tehran newspapers report that Mossadeq's advisers consider such a plan unacceptable and that only a "competent court" can determine the compensation due the British. Tehran political circles reportedly assert that any decision taken without consulting the Iranian Government would be worthless.

These reactions indicate that Iran may be expected to reject any plan which does not let Iran itself determine what is due the British. On the basis of the violent demonstration previously indulged in by Mossadeq over the joint Anglo-American effort to settle the oil dispute, a similar reaction to a new approach would not be unlikely. On the other hand, the suggestion that the United States is considering a large loan to Iran may encourage Mossadeq to believe that he need only remain adamant to achieve eventual settlement on his own terms.

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4. Americans and Poles reportedly implicated with Moroccan nationalists:

[redacted] French authorities in Morocco have confiscated secret Istiqlal records implicating eleven Americans and four Poles in nationalist activities, [redacted]

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While the evidence incriminating the Poles may be publicized during prosecution of nationalist officials, the information incriminating the Americans reportedly will not be released for several months.

Comment: The French Residency in Rabat recently charged American diplomatic and military officials in Morocco with aiding the nationalists.

Any delay in publicizing the involvement of American nationals may be intended to discourage such activities in the future.

WESTERN EUROPE

5. Moves against West Berlin reportedly under discussion in East Germany:

[redacted] Plans for the isolation of East Berlin from the Western sectors have reportedly been drawn up by the East Berlin police and are to be executed upon West German ratification of the Bonn and Paris treaties. These plans allegedly call for the interruption of public transport, the evacuation of sector borders, and the barricading of streets leading to the Western sectors.

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[redacted] Deputy Prime Minister Ulbricht asserted at a recent meeting of East German functionaries that the Soviet Union would at an appropriate time decree that the Western Powers "lose their right" to stay in Berlin once the contractual agreements are ratified. Communist officials were directed to prepare to agitate for the demilitarization of Berlin and the holding of free elections.

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Comment: While recent moves on the perimeter of West Berlin have suggested an ultimate Communist intention to isolate that area from East Germany, there is no present evidence of either East German or Soviet intention directly to challenge the Western position in Berlin.

LATIN AMERICA

6. Alleged revolt against Cuban Government:

A well-organized revolutionary plot against the Batista government may result in a revolt before 1 January,

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Comment: There have been recurrent reports of attempts to assassinate Batista and overthrow his regime. It is likely that some counterrevolutionary effort is being organized, probably to be spearheaded by the forces of deposed president Prio, who reportedly has been attempting to purchase arms in the United States and Mexico.

Although there have been recent reports of defection by some dissatisfied army elements, Batista probably can still count on the support of most military leaders and a great majority of the enlisted personnel.

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