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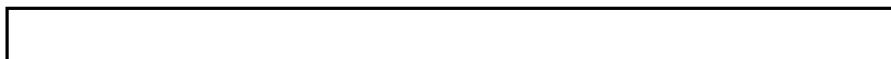
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CENTRAL INTELLIGENCE AGENCY



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State Department review  
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FAR EAST

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1.



2. Chiang Kai-shek prefers to limit troop use to China mainland:

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Chiang Kai-shek recently told American Minister Rankin in Taipei that Chinese Nationalist forces could play a "decisive part" in defending Southeast Asia by landing on the Chinese mainland. He also felt that such an operation would greatly reduce Communist chances for a successful attack on Formosa.

The Generalissimo saw "no purpose" in sending Nationalist troops to Indochina. He said that their use in Korea, while providing valuable training and encouraging the surrender of Chinese Communists, could not contribute decisively to events there.

Rankin comments that Chiang, who did not renew his offer of Nationalist troops for Korea, might agree to provide two divisions if they were fully equipped by the UN command upon arrival in Korea.

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## SOUTHEAST ASIA

### 3. French proposal on repatriation of Nationalists to Formosa rejected:

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The Chinese Nationalist Government has rejected the French proposal that the first contingent of Chinese to be repatriated to Formosa from Indochina consist of women, children and others unfit for military service, according to the French Foreign Ministry. Taipei has countered with a proposal that at least 2,700 able-bodied men be included in the initial group of 5,000.

In the French view this would vitiate the purely "humanitarian" basis upon which they believe the project should be undertaken, and might thereby incur such strong objections from Peiping that France might be obliged to delay further repatriation.

Comment: The internees number about 30,000, of which two thirds are troops, some of them now unfit for military service. The problem of repatriating these internees has been an irritant in French-Chinese relations since the group arrived in Indochina in 1949-50.

### 4. Rebel leader reported to have led mixed force into Burma:

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The American Embassy in Rangoon has been told [redacted] that Naw Seng, the Kachin rebel leader, has re-entered northern Burma with 1,600 Chinese,

Burman and Kachin troops. According to [redacted] the Burmese Defense Minister visited the threatened area in order to determine the best means of dealing with the "crisis."

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Comment: There is considerable evidence that the Chinese Communists have been developing a force for eventual use in Burma under Naw Seng, who has spent the last two and a half years in China.

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Although there is no confirmation of Naw Seng's re-entry into Burma, government authorities have shown renewed concern over the Sino-Burmese border area.

#### NEAR EAST - AFRICA

5. General Nagib suspects British economic pressure against Egypt:

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[redacted] General Nagib believes that Great Britain is putting economic pressure on his government by withholding purchases of Egyptian cotton. In presenting this problem, Nagib told Ambassador Caffery that he is disturbed by Egypt's increasingly serious economic situation.

The Egyptian Finance Minister, according to Ambassador Caffery, has protested to the British Embassy against the alleged refusal to permit cotton purchases by British mills.

Comment: The drop in the British demand for Egyptian cotton is probably due to the depression in the textile industry and to Egyptian prices which are higher than the world market.

#### EASTERN EUROPE

6. Yugoslav official describes Bulgarian political situation as unstable:

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[redacted] Yugoslav [redacted] has stated that the Bulgarian political situation is so unstable that authorities have armed reliable party members to check any possible uprisings, [redacted]

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Comment: The distribution of arms to some politically reliable Bulgarian civilians has been reported by a number of sources over a period of years. There is no evidence to indicate that this program has been intensified, or that the stability of the Bulgarian regime has recently deteriorated.

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Although overt incidents have been negligible since the spring of 1951, Bulgarian peasants have continued passive resistance to government decrees, and undercurrents of resentment and anti-Sovietism still exist.

## WESTERN EUROPE

### 7. Saar legislature fails to set date for elections:

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The Saar Landtag on 27 October approved the election law on its second reading, but adjourned without setting a date for elections. Minister-President Hoffman doubts that the legislature will take any action in the next few days.

According to American officials, Hoffman is anxious to see the French-German negotiations on the Saar end successfully, and is well aware of the gravity of the situation. He will try to obtain permission from French Foreign Minister Schuman to negotiate informally with West German Chancellor Adenauer.

Comment: The setting of an early date for the Saar elections would cause a breakdown of French-German negotiations. The Saar legislature may have delayed action because of the joint statement of 25 October admitting that a unity of views on the Saar's future status had not been achieved, but stating that talks would continue.

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