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SECURITY INFORMATION

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LATIN AMERICA

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FAR EAST

1. Communist China to undertake five-year plan:

[redacted] The Chinese Communists have decided to initiate a five-year plan in January 1953.

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[redacted] The plan, expected to be fulfilled in four years, reportedly has four main objectives: food production, construction of heavy and light industries, development of mineral resources, and the extension of communications.

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Comment: Although Peiping has not announced a five-year plan, a 1 October Pravda article stated that such a plan was being prepared. The specific goals set up in the plan have not been disclosed, but they undoubtedly envisage a continued expansion of industrial output.

SOUTHEAST ASIA

2. Current Viet Minh action considered diversionary:

[redacted] The American Consul in Hanoi believes that current Viet Minh action against the mountain outpost of Nghia Lo, 100 miles northwest of Hanoi, involves less than a division and is designed to clear the way for an assault on the delta itself. A number of small French outposts near Laichau, 200 miles northwest of Hanoi, and Nghia Lo have already fallen.

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The Consul considers that the loss of the northwestern sector would be more harmful to French prestige than to vital military interests.

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Comment: [redacted]

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[redacted] the major burden of forthcoming Viet Minh operations will be borne by a force of four divisions, three infantry and one artillery. The main effort will apparently be made at a point on the edge of the delta, midway between Nghia Lo and Hanoi.

NEAR EAST - AFRICA

3. Comment on Iran's announced break with Britain:

Prime Minister Mossadeq's announcement that his government was "unfortunately obliged" to break diplomatic relations with Britain presages little significant change in the immediate future. A continuing deadlock in the oil issue will generate pressure for more drastic social and economic reforms.

While the Prime Minister's arbitrary action in announcing the break to the nation rather than to parliament was reportedly due to his inability to obtain a quorum in the Majlis, it may foreshadow a more autocratic attitude on his part.

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4. Iranian official dissatisfied with US policy:

[redacted] Hossein

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[redacted] Makki, the Iranian oil board member who has been a guest in the United States of the International Bank, is dissatisfied with the American government's conduct toward Iran. [redacted]

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[redacted] Makki felt he should state his criticisms in a press interview prior to his departure.

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Comment: National Front leader Makki, a close confidant of Mossadeq, has been one of the leaders in the attack against Great Britain. His dissatisfaction with the United States may cause him to sponsor an active anti-American campaign when he returns to Tehran.

WESTERN EUROPE

5. French considering conditional reply to USSR on talks:

The French Government is considering telling the USSR that France would be glad to enter into the conversations suggested by Foreign Minister Vyshinsky, but only "in consultation with the British and Americans and not independently." According to the high French Foreign Ministry official who revealed this to the American Embassy in Paris, France has decided to advise only the United States and Britain of Vyshinsky's recent approach.

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Comment: This is the first clear indication that the Pinay government may go as far as to enter into bilateral talks with the USSR in order to rally domestic political support. Any such talks would certainly cause delays in rearmament and make other Western powers suspicious of French policy.

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~~TOP SECRET~~6. Adenauer proposes joint public statement with Schuman on Saar:

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[Redacted]

West German Chancellor Adenauer has informed High Commissioner Donnelly that he will send, not later than 17 October, two letters to French Foreign Minister Schuman dealing with the Saar issue. In one he will propose a joint public statement that agreement has been reached in principle on Europeanization of the territory and that negotiations will continue. This, Adenauer believes, would be sufficient to persuade the Saar Parliament to postpone the date of the scheduled elections to avoid interference with the negotiations.

The other note would deal with the substance of the disagreements between France and Germany on the Saar. Adenauer still insists that any agreement not be definitive, but admits that he might modify his recent suggestion for a five-year provisional agreement. He indicated that a provisional period lasting until a peace treaty is concluded would be acceptable.

7. Comment on possible drastic shift in Britain's rearmament policy:

The prediction by a leading London Conservative daily of a drastic shift in Britain's rearmament policy

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According to the newspaper, the Churchill government plans to concentrate on a smaller striking force with new type weapons in the belief that Britain's economic strength must have first priority, and that the American atomic stockpile is a sufficient deterrent to immediate Soviet aggression.

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