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**GENERAL**

3.3(h)(2)

**1. Smaller NATO countries may attempt to check power of Standing Group:**

US NATO Deputy Spofford warns that it would be a mistake to underestimate the resentment caused by the three-power Standing Group's refusal to present a report or to be represented at

the Ottawa meeting of NATO Finance and Foreign Ministers. He expects that some of the minor NATO countries will now press strongly for greater influence over the deliberations of the Standing Group.

Comment: The Standing Group argues that the Ottawa meeting is primarily non-military. Several NATO nations, however, claim that a military progress report is needed, and that a Standing Group representative should be present to answer questions. The NATO governments not represented on the Standing Group are jealous of the power they have delegated, and, unless the Standing Group takes steps to keep them better informed of its deliberations, they will undoubtedly demand a share in decisions now made by the Big Three.

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**2. Indonesia likely to sign Japanese peace treaty:**

Despite important political and press opposition in Indonesia to signature of the Japanese peace treaty, the US Ambassador in Djakarta expects the government to authorize its delegation at

San Francisco to sign the treaty and to obtain majority support in Parliament when the question of ratification subsequently arises.

The Indonesian Prime Minister is currently demonstrating exceptional firmness in his determination to have Indonesia sign the treaty. Both President Sukarno and Vice President Hatta support him strongly in this policy.

Comment: The Indonesian delegation at San Francisco was not given advance authority by its government to sign the treaty.

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## FAR EAST

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4. Enemy achieves greatest offensive potential of Korean war:

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The Far East Command, in a new estimate of enemy offensive potential, believes the Communist forces capable of the following coordinated effort: (a) an attack toward Seoul from the north

with five to seven Chinese Communist armies, supported by one North Korean and probably one Chinese Communist tank division; (b) another attack toward Seoul from the northeast with two Chinese Communist armies; and (c) secondary attacks with three North Korean corps on the east flank or one on the West. The enemy is believed to have stockpiled, well forward, enough supplies to support a general offensive for more than three weeks. He is also believed capable of readying about 715 combat aircraft (including over 400 jet fighters) based in Manchuria in support of a ground offensive, which could be spearheaded by an attack of 2000 airborne troops.

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**SOUTH ASIA**

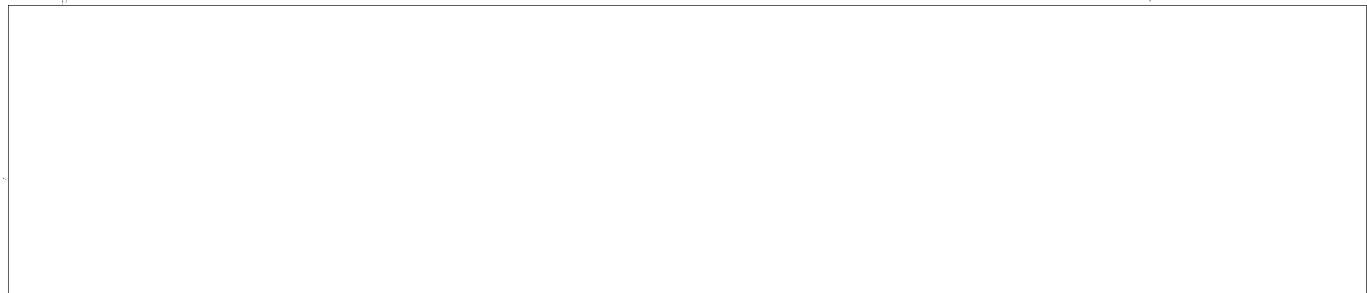
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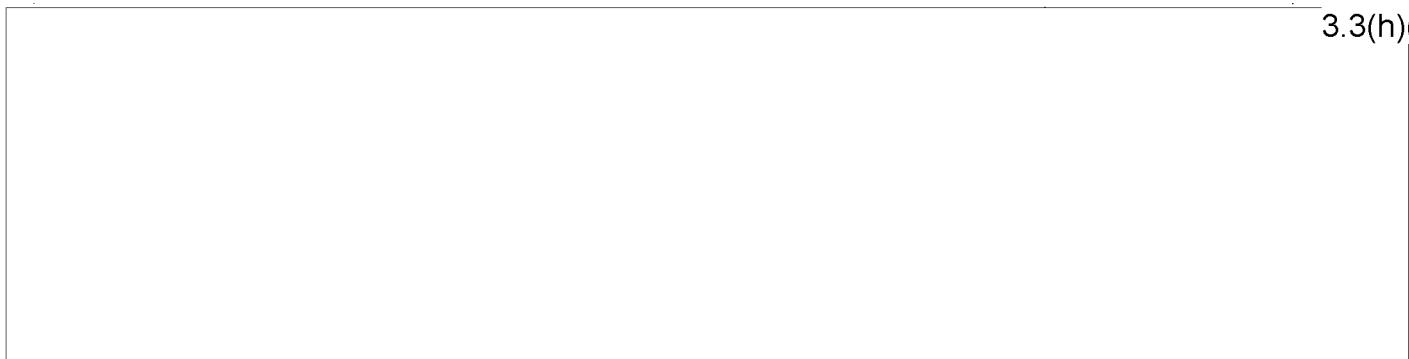
**NEAR EAST****7. Comment on Polish and Czech bid for Iranian oil:**

Iran, according to its official spokesman, is considering a bid from Poland and Czechoslovakia for the purchase of 700,000 and 500,000 tons of oil respectively. It was also stated that companies in the US, Italy and Sweden had offered to supply tankers.

Poland owns four tankers with a combined tonnage of 22,044 and charters three totaling 17,378 tons. The Czechs have no ocean going tankers under their control. Using its entire tanker facilities Poland could move the 1,200,000 tons of oil under consideration in approximately three years. There is no indication that any sizeable number of tankers will be available for charter anywhere in the free world.

**EASTERN EUROPE**

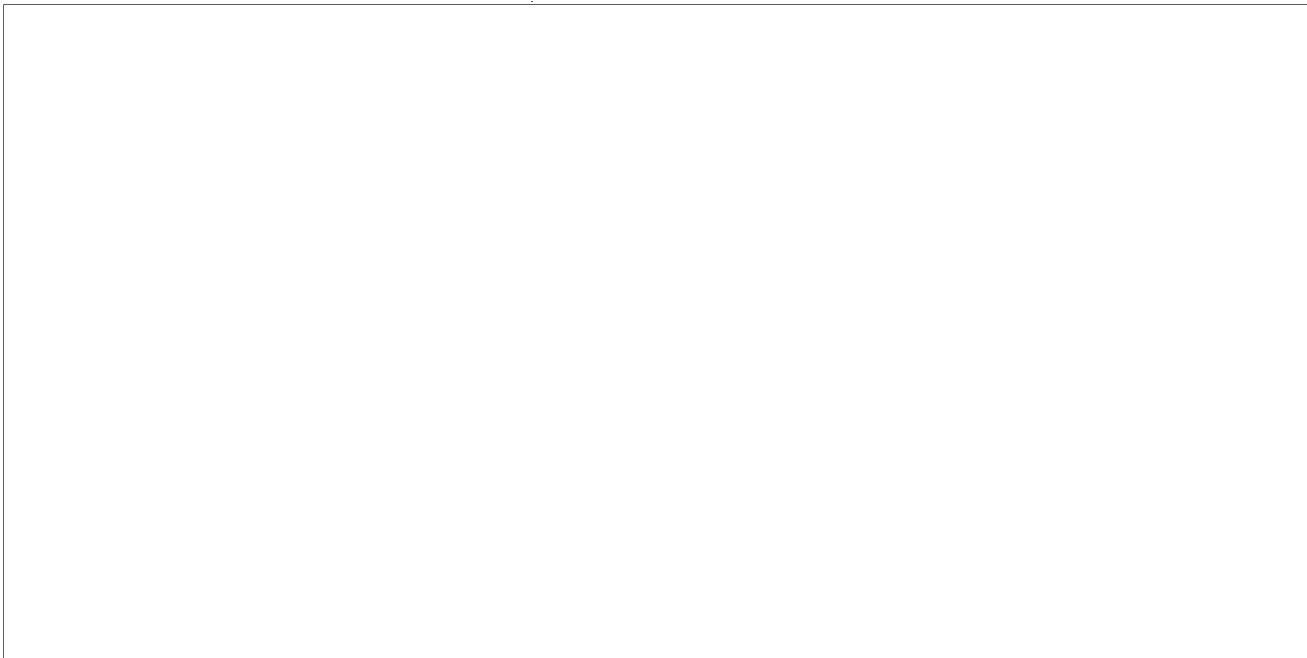
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**WESTERN EUROPE****9. New Soviet move tightens economic noose around Berlin:**

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On 31 August Soviet and East German authorities further tightened the economic squeeze on West Berlin by imposing a toll on all West German traffic between Berlin and Western Germany.

Exempting Allied and East German traffic, they levied the tax--for "maintenance of the road"--on each one-way trip made by both cars and trucks. West German truckers reacted sharply by blocking the highway at the Helmstedt border point, in an attempt to prevent compliance and force action by West German authorities to alleviate the situation.

Local US officials see no chance for immediate relief to the shippers who carry most of West-Berlin's imports of perishable foods. The thirteen freight trains now running daily to Berlin are the limit permitted the Allies and are already fully utilized, although some

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unused capacity is available on the Elbe waterway. These officials estimate that the new tax, if absorbed by shippers and consignees, would increase shipping costs at least 20 per cent, result in a "palpable increase" in the cost of food and other imports, and measurable affect the competitive position of West Berlin's industry.

The Allied commandants in Berlin met on 3 September with West Berlin officials to discuss possible countermeasures, including the taxing of all East German barges passing through West Berlin locks, an effective measure in the past.

Comment: This latest Soviet move, apparently under consideration since at least last June, represents another in a series of measures designed to harass West Berlin, and a possible further step to force resumption of interzonal German trade. The step, which will greatly increase the general uncertainty and alarm in Berlin, may also be intended to give the USSR an additional bargaining point should Four Power talks on the trade impasse be resumed.

10. Increased French pressure for US aid:

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French Vice-Premier Georges Bidault expects to be able to convince the US at Ottawa that, with assured levels of American aid, France will substantially fulfill its NATO commitments.

A foreign office spokesman has revealed, however, that discussions in government circles have resulted in a "extremely gloomy estimate of French capabilities, particularly after allowing for outside aid on the basis of present prospects."

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**Comment:** Two months ago the US Embassy and the ECA Mission in Paris urged a firm US commitment of a definite credit for the calendar year, pointing out that a continuous depreciation of the franc could prevent the French from fulfilling their rearmament program.

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