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SECURITY INFORMATION

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## FAR EAST

1.

reports on Chinese economy and morale:

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[redacted] left China in late July, sees "no hope" for foreign trade and business interests in China. He states

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that the Communist administration is effective, but that commerce and industry are "completely ruined."

He also reports that the Chinese populace is apathetic toward the regime and toward the Korean conflict in particular.

Comment: There is no evidence that the strength of the Peiping regime has been seriously reduced by the current economic depression. The depression is acute among private businessmen, but agricultural production and the output of state-operated heavy industries are at comparatively high levels.

Other sources have also reported popular apathy in China recently.

2. Viet Minh reported weakening in South Vietnam:

[redacted] Desertions of key personnel from Viet Minh security units in South Vietnam are increasing,

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[redacted] Deserters are going into French service or into hiding.

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[redacted] In the western sector of South Vietnam, the serious resistance to French operations is impossible because of the weariness and indifference of Viet Minh troops.

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Comment: Actually there has recently been an increase in Viet Minh guerrilla warfare in this sector. However, if this report is true, the French may soon be able to shift some forces north to the Tonkin delta.

## NEAR EAST - AFRICA

3. Former Iranian Chief of Staff attacks National Front for Tudeh collaboration:

[redacted] Iranian Chief of Staff Garzan, [redacted]

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[redacted] stated that National Front leaders had "at last removed the mask from their faces" and allied themselves with the Tudeh. He warned that National Front propaganda attacks against the army and high authorities were creating a dangerous situation.

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Comment: This

[redacted] demonstrates the army's loyalty to the Shah and its opposition to the National Front at that time. Qavam, however, resigned the same day, and Garzan was removed as Chief of Staff two days later.

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Reports from the American Embassy since the reappointment of Mossadeq indicate that the National Front is making increased efforts to control the army, whose morale is said to be declining.

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4. Maher reportedly threatened to resign over question of Egyptian Army control.

[redacted] Egyptian Prime Minister Ali Maher reportedly threatened to resign on 30 July over the army's insistence that two of its candidates be appointed to cabinet posts. As a compromise, however, one of the army's candidates was made chairman of the new "Purification Committee," and the other, Colonel Mohanna, became Minister of Communications.

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Comment: [redacted]

[redacted] the largely unknown army group which forced Farouk's abdication continues to be the determining factor in the present situation. Any action against the Wafd is certain to arouse determined opposition from that party.

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Colonel Mohanna reportedly held his cabinet post only three days. His appointment appears to have been an army maneuver to "legalize" his position on the Regency Council.

## WESTERN EUROPE

5. Closing of Allied autobahn to Berlin expected:

[redacted] Both the West German Transport Ministry and American officials now believe that the Helmstedt-Berlin autobahn will probably be closed for "repairs" around 1 September.

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Cranes and repair materials are being assembled near the Elbe River bridge, and a German truck driver was recently told by a Russian officer that the road would soon be closed.

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Comment: Although the closing of the Helmstedt autobahn would block all highway access to Berlin by Allied nationals, three roads would still be available for German use.

This move would come at a time when the West Berlin stockpiling program is expected to be severely hampered because of "repairs" to the main canal and low water in the secondary canal. Soviet authorities have not yet replied to the Allied request for five additional daily trains to Berlin to compensate for the closing of the main canal.

6. French "anti-Communist" peace movement seeking British and American labor support:

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[Redacted]

Leon Jouhaux, the prominent French Socialist trade union leader and head of the recently formed "anti-Communist" peace movement, Fighting Democracy, plans to visit Great Britain and the United States in September in order to solicit labor backing, which he considers indispensable to the new movement's success. Reportedly he has the support of President Auriol and eight Cabinet Ministers and is scheduled to meet American labor leaders at a dinner in Washington arranged by Ambassador Bonnet.

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[Redacted]

Jouhaux intends to block the circulation of a left-wing manifesto against the German contractual agreement, and hopes with the aid of British labor to organize demonstrations against the forthcoming World Peace Congress in Vienna.

Comment: In mid-July the Embassy showed considerable skepticism about the effectiveness of Fighting Democracy as an anti-Communist force. Dolivet was formerly a Comintern agent, and another of its promoters has been a prominent fellow traveler.

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American officials in Bonn reported on 24 July that, according to a German Socialist leader, AF of L representatives in Paris intend to attack Fighting Democracy and Jouhaux for his "collaboration" with it.

7. Belgian Prime Minister disturbed by controversy over conscription period:

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The Belgian Prime Minister fears that recent demonstrations against retention of the 24-month conscription period are wrecking army morale and can "definitely lead to a general strike." American officials in Brussels believe that the gravity of the situation is indicated by the Prime Minister's asking them to urge Socialist leaders to cease agitating the issue.

The Prime Minister states that unless the other EDC countries adopt a 24-month military service period before the Belgian Army maneuvers end in late September, Belgium will reduce its 24-month period.

Comment: Since there is no possibility that France and Italy will increase their 18-month conscription periods at this time, the issue for the Belgian Government has become one of announcing the reduction at such a time as to avoid further popular disorders and to minimize the Cabinet's loss of prestige.

The 24-hour national protest strike for 9 August, announced by the Socialist Federation of Labor on 2 August, is unlikely to have effects much more serious than those of the sporadic token strikes which have already occurred.

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