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CENTRAL INTELLIGENCE AGENCY

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S U M M A R Y

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2. MIG-15's from East China attack US Naval aircraft (page 3).
3. Pacific Peace Conference in Peiping to open on 2 October (page 4).

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8. US Legation comments on growing Finnish economic dependence on USSR (page 7).

W E S T E R N E U R O P E

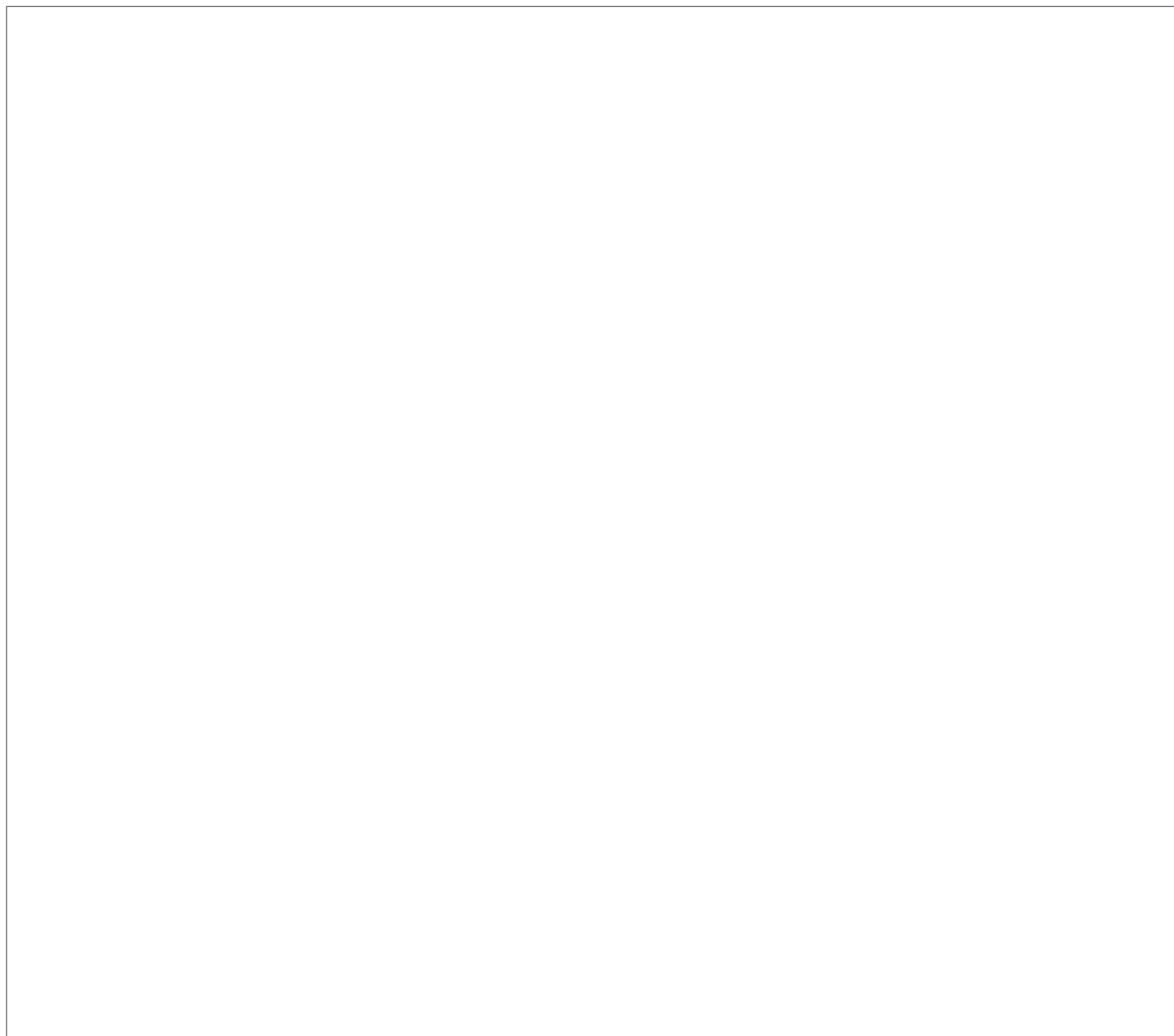
9. French disclose negotiating position on Saar (page 8).
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[Redacted]

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FAR EAST

2. MIG-15's from East China attack US Naval aircraft:

[Redacted]

Two Chinese Communist MIG-15's attacked a US Naval Privateer patrol plane off the East China coast near the mouth of the Yangtze River on 20 September. The plane was not damaged.

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[Redacted]

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Comment: Although the Chinese Communists have based MIG-15's at Shanghai for over a year and have often used radar there and on the nearby Choushan Islands to track American planes, they have never previously attacked patrol planes in this area.

This incident suggests that by their recent adoption of improved interception techniques, the Chinese Communists have increased their capability to defend the coast against air attack.

3. Pacific Peace Conference in Peiping to open on 2 October:

The Asian and Pacific Regions Peace Conference will open in Peiping on 2 October, according to a 29 September announcement by the preparatory committee.

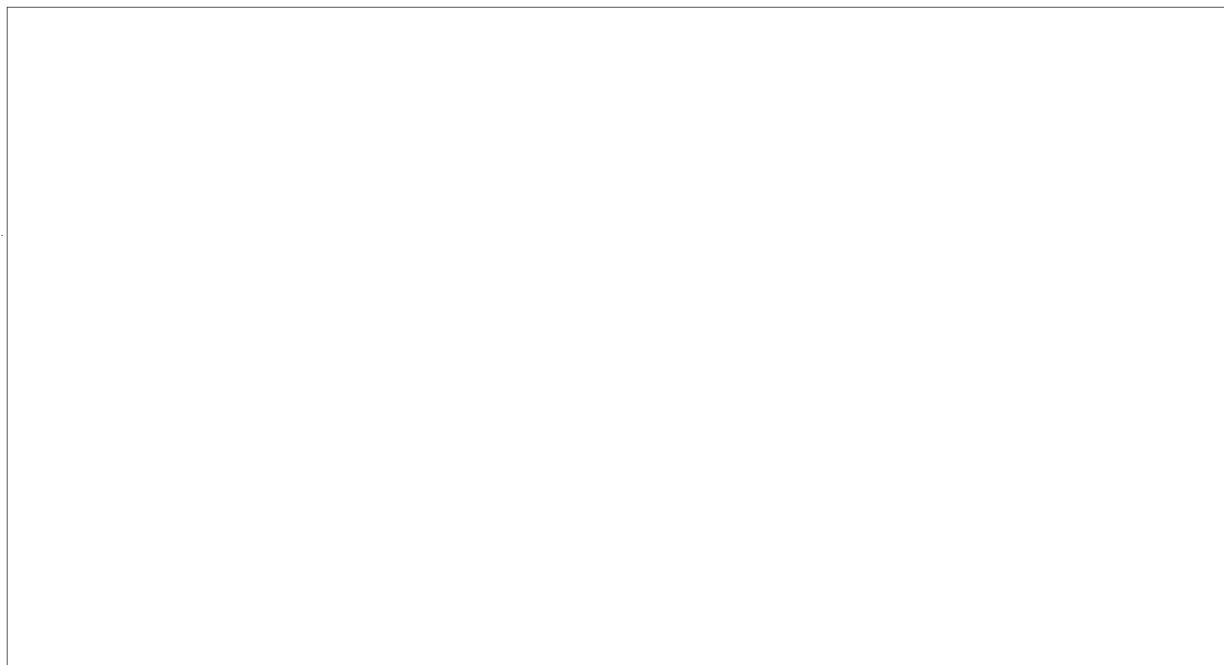
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Comment: The Pacific Peace Conference, originally scheduled to begin on 26 September, was postponed to 10 October due to the non-arrival of many delegates. At least 250 delegates are now in Peiping.

SOUTHEAST ASIA

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NEAR EAST - AFRICA

5. Iranian Chief of Staff announces plan to retire officers:

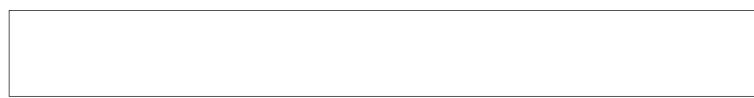


Iranian Chief of Staff Baharmast called a meeting on 28 September of majors, lieutenant colonels, and colonels in the Tehran area. He directed them to form three committees to recommend officers of comparable rank for retirement.

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Comment: The retirement of about 100 field grade officers has been rumored ever since 15 generals were retired for political reasons in mid-August. Such action would fit into a reported plan for a reduction in the size of the Iranian army.

Placing the responsibility for recommending retirement on the officers themselves will enable the government and the General Staff to avoid criticism for this unpopular move. It will not necessarily assure increased National Front control of the army.



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EASTERN EUROPE

8. US Legation comments on growing Finnish economic dependence on USSR:

[Redacted] The American Legation in Helsinki is apprehensive over the extent to which Finland is being drawn into the Soviet economic orbit. With the completion of reparations deliveries and the reduction of purchases by Western customers, the Finns have turned to the USSR and its Satellites as potential export markets.

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In the opinion of the Legation, as the West increases restrictions on deliveries of strategic goods to the Soviet bloc, it is inevitable that the USSR will put pressure on Finland to provide ships and metal products.

Comment: The Finns are aware of the political implications of closer economic cooperation with the Soviet bloc, but they feel that it affords at least a temporary solution to their economic problems.

[Redacted] 50X1

WESTERN EUROPE

9. French disclose negotiating position on Saar

[redacted] When the French-German negotiations on the Saar are resumed, Foreign Minister Schuman will suggest a transfer of sovereignty and of French controls over this area to the Coal-Steel Community for the present and to the European Political Community after it is created.

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France will gradually dissolve the French-Saar Economic Union as agencies such as European customs and currency unions are established.

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[redacted] the political concessions will be satisfactory to the Germans but [redacted] the real stumbling block will be the coal and steel allocations.

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Comment: This is the first report of a realistic French plan for "Europeanizing" the Saar. The French will probably insist on retaining their economic advantage. Adenauer is likely to be conciliatory on this point since he appears eager to settle the question while Schuman is still Foreign Minister.

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