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**CENTRAL INTELLIGENCE AGENCY**

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50X1

## S U M M A R Y

### GENERAL

1. Chinese showed independence in tripartite Moscow trade discussions (page 3).

### SOVIET UNION

2. Ambassador Kennan comments on Party Congress (page 3).

### FAR EAST

3. Suiho power plant believed nearly operational again (page 4).

50X1

### NEAR EAST - AFRICA

5. Mossadeq warns security forces are losing control (page 5).

50X1

7. Moroccan issue becomes more threatening (page 6).

### WESTERN EUROPE

8. Comment on the death of Schumacher (page 7).
9. West German treaty ratification seen possible without Saar solution (page 7).
10. French Government leaders seek to retain 1953 NATO goals (page 8).

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## GENERAL

### 1. Chinese showed independence in tripartite Moscow trade discussions:

Chinese delegates in Moscow showed no subservience to the Russians in early August trade negotiations with the USSR and Finland,

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The Finnish delegate had been assured at the outset by the Russians that they would have no difficulty in reaching an agreement with the Peiping delegates. While the Finns were able to reach an accord with the Chinese, [redacted] the Russians have thus far failed.

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Comment: The reportedly firm stand of the Chinese trade delegates supports other evidence that Peiping does not assume the subservient role of an East European Satellite.

## SOVIET UNION

### 2. Ambassador Kennan comments on Party Congress:

[redacted] Ambassador Kennan considers that the announced 19th Party Congress and proposed changes in Party statutes probably mark a major turning point in Soviet domestic political affairs. However, noting that evidence is as yet scanty, he recommends the greatest possible caution and reserve in the interpretation of their significance.

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The Ambassador feels that the long delay in holding a Congress could have only been a reflection of some special and weighty internal political reason which has somehow been overcome in recent months.

The Ambassador points out that, whereas the Politburo operates on the basis of theoretical equality and collective responsibility, the new Presidium would, on the basis of existing Soviet practice and terminology, elevate one of its members to the position of chairman.

## FAR EAST

### 3. Suiho power plant believed nearly operational again:

The Suiho hydroelectric power plant, damaged by UN fighter-bombers in late June, may be producing power at the pre-bombing level by 23 August, [redacted]

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[redacted] the principal damage in the late June raids was inflicted on the transformers and other surface equipment of the plant, while the generators, deep inside the dam itself, were not damaged.

Comment: The Suiho power system was reportedly furnishing over 200,000 kilowatts of power to North Korea and Manchuria prior to the late June air raids. [redacted]

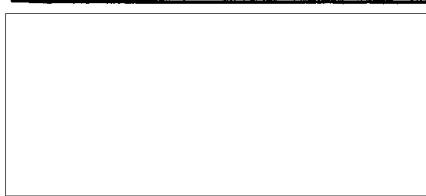
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[redacted] all power was out in that city for three days after the raids. Radio Pyongyang, deriving its power from Suiho, was off the air for a considerable period, but by 17 July the quality of Radio Pyongyang transmissions had improved markedly.

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## NEAR EAST - AFRICA

### 5. Mossadeq warns security forces are losing control:



Mossadeq informed the American Ambassador through an intermediary on 19 August that the situation in Iran was rapidly getting out of hand. He said that he could not find a replacement

for the Chief of Police, who was unable to handle developments and had offered to resign.

50X1

The Ambassador comments that the situation is serious, and may become more so. He believes, however, that Mossadeq may be exaggerating in order to obtain American assistance.

Comment:

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the Chief of Police asserted that Mossadeq did not permit him to take forceful action against the Tudeh.

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**7. Moroccan issue becomes more threatening:**



The American Legation in Tangier reports that if the UN General Assembly refuses to consider the Moroccan case, nationalist extremists may try to overthrow the moderate leaders.

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Moderate nationalists realize that French forces could effectively suppress violence and that forceful methods might prejudice their efforts. Communist infiltration of the nationalist movement and the impatience of the young extremists have hitherto been held in check, since the moderate leaders have been assuring the Moroccans that results can be achieved through the United Nations.

## WESTERN EUROPE

### 8. Comment on the death of Schumacher:

The death of Kurt Schumacher, chairman of the West German Social Democratic Party, removes a bitter foe of Chancellor Adenauer and of major American objectives in West Germany. Erich Ollenhauer, 51-year-old vice-chairman of the party and party wheelhorse, will probably be confirmed as party leader by the Socialist Party Congress scheduled for 27 September.

The party congress is not expected to produce any significant formal changes in party policies, but is likely to result in a gradual increase in the influence of elements which desire to tone down opposition to German rearmament and European unity moves. Consequently, in the period preceding the crucial federal election campaign, the party may be expected to give relatively more attention to domestic issues, although not reversing its present foreign policy stand.

### 9. West German treaty ratification seen possible without Saar solution:

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Hermann Schaefer, vice-chairman of the West German Free Democratic Party, states that German ratification of the Bonn and Paris treaties is certain even if the Saar issue is not settled before the Bundestag debates.

Schaefer, however, attacked the latest French proposals on the Saar as unacceptable in their present form, stating that Europeanization is premature and will become feasible only after the European Defense Community is operational. He suggested that certain French Foreign Ministry officials may have raised the Saar issue now to prevent ratification of the treaties.

Local American observers believe that Schaefer accurately reflects the views of the majority of the government coalition.

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10. French Government leaders seek to retain 1953 NATO goals:

A French Foreign Ministry spokesman has told the American Embassy that Foreign Minister Schuman and Defense Minister Pleven are pressing the cabinet "to agree firmly" to the 1953 French NATO goals tentatively set at the Lisbon conference. He added that the Government is also seeking means of getting all the NATO powers to commit themselves to firm re-armament programs for more than one year at a time.

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Comment: These two statements taken together are an apparent bid for larger and longer-range American commitments. If France adheres to the Lisbon rearmament goals for 1953, the scheduled \$650,000,000 of American aid will, according to the most optimistic estimate of American officials in Paris, cover only half of the resulting budgetary deficit.

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