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**US OFFICIALS ONLY**

30 August 1952

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Copy No. 57

**CURRENT INTELLIGENCE BULLETIN**

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Office of Current Intelligence

36  
DOCUMENT NO. \_\_\_\_\_  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS CHANGED TO: TS S C  
NEXT REVIEW DATE: 2009  
AUTH: HR 70-2  
DATE: 18 Dec 79 REVIEWER: \_\_\_\_\_

**CENTRAL INTELLIGENCE AGENCY**

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## SUMMARY

### SOVIET UNION

1. French Communists speculate on Soviet Party Congress (page 3)
2. [Redacted]
3. Comment on presence of Mongolian officials in Moscow (page 4).

50X1

### FAR EAST

4. Viet Minh prepares for fall offensive (page 4).

50X1

### WESTERN EUROPE

7. Soviet official shows concern over reference of Austrian question to UN (page 6).
8. Schuman reportedly more flexible on Saar issue (page 7).
9. Spain indicates desire to continue negotiations on bases (page 7).

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## SOVIET UNION

### 1. French Communists speculate on Soviet Party Congress:

Some French Communists and fellow-travelers reportedly interpret the forthcoming Soviet Party Congress as an indication that the Kremlin anticipates a major showdown with the United States.

50X1

Consequently they believe that the war economy of the Soviet-controlled world must be speeded; the Communist parties in the USSR and abroad must be purged; and the Peace Partisans and other "peace" agencies must be active.

They conclude that the division and destruction of Atlantic economic and defense cooperation will continue as the main Communist objective in Europe.

Comment: Pravda is currently emphasizing the importance of strict party discipline at all levels and hinting at the necessity of punishment for any suppression of self-criticism.

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### 3. Comment on presence of Mongolian officials in Moscow:

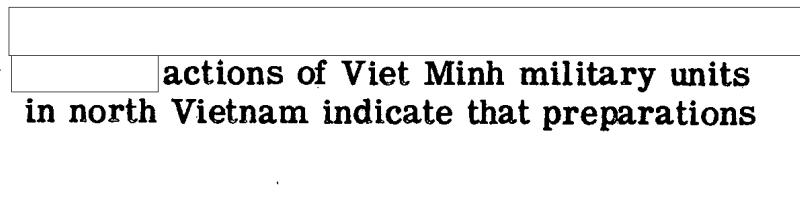
The possibility that the Sino-Soviet conference may devise a plan for integrating the economies of the Communist Far Eastern countries with the USSR is suggested by the arrival in Moscow of the Mongolian Prime Minister and his Deputy Minister of Foreign Affairs. They were met by a delegation headed by Mikoyan, Vice Chairman of the USSR Council of Ministers and Chairman of the Council of Economic Mutual Assistance. Such a development would complement the Soviet-East European economic bloc.

On arrival the Mongolian Premier commented that the "new grand program of the next Five-Year Plan of the Soviet Union would further promote and consolidate the economic, cultural and administrative development" of Mongolia. This, together with the fact that Mongolia's present Five-Year Plan expires this year, suggests that the USSR is formulating not only a new Five-Year Plan for Mongolia but, possibly in conjunction with the Chinese, an over-all program for the Communist Far East.

A new Five-Year Plan for Mongolia would probably stress the development of natural resources, particularly mining, which would contribute to the development of the Lake Baikal economic complex centered around Irkutsk.

## FAR EAST

### 4. Viet Minh prepares for fall offensive:



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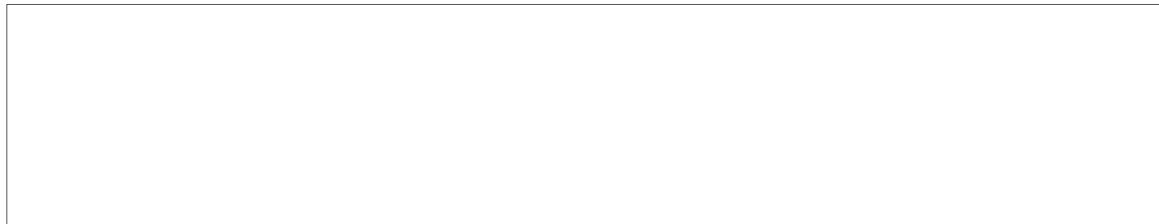
actions of Viet Minh military units in north Vietnam indicate that preparations

50X1

have begun for an October offensive. Although no major shifts of divisions have occurred, there has been some regrouping of smaller units, including artillery. A campaign in the "middle Tonkin area" is being planned.

The source comments that there may be an offensive in the northwestern sector of the Tonkin delta, with a diversionary attack on the southern perimeter.

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## WESTERN EUROPE

### 7. Soviet official shows concern over reference of Austrian question to UN:



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Soviet Political Adviser Kudryavtsev, at a meeting with Foreign Minister Gruber on 26 August, argued against submission of the Austrian treaty question to the UN General Assembly. He stated that the problem was beyond the competence of the United Nations and that a hearing there would only further complicate matters.

Kudryavtsev also observed that the "Austrian Government must have known that an abbreviated treaty would be unacceptable to Moscow." He then expressed interest in Vienna's attitude toward the old draft treaty.

Comment: At the time the Soviet Government rejected the Western proposals for a short treaty, it also took issue with the Austrian suggestion that the old draft treaty is no longer acceptable to the Austrian Parliament. Kudryavtsev's inquiry with respect to the old treaty could reflect Russian concern over the possibility of losing valuable economic concessions as a result of its long stalling on an Austrian settlement.

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8. Schuman reportedly more flexible on Saar issue:

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A French official close to both Schuman and Pinay believes that failure to agree on a Saar settlement now would not threaten ratification of the EDC treaty, but that French concessions with respect to their economic position in the Saar would. Stating that press accounts of the recent Schuman statements before the French National Affairs Committee were inaccurate, he asserted that some French territory might be ceded to a Europeanized Saar if "agreement really depended only on this."

Comment: While the official's statements were ostensibly an attempt to clarify press reports attributing an unduly nationalistic stand to Schuman, they indicate a greater flexibility in the French position than has lately been apparent.

9. Spain indicates desire to continue negotiations on bases:

50X1

American negotiators were told by a Spanish official on 27 August that if the United States will provide "the necessary elements" for the defense of Spain, the Franco government will conclude an agreement for bases. Otherwise, Spain proposes that mutual defense and economic aid agreements be signed now, without prejudice to later negotiations for base rights, as a necessary condition to receipt of the \$125,000,000 already appropriated.

Comment: In early July Spain insisted that it receive the \$125,000,000 before signing any agreement. While still demanding a high price for the bases, Spain now clearly shows that it wants to continue negotiations.

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