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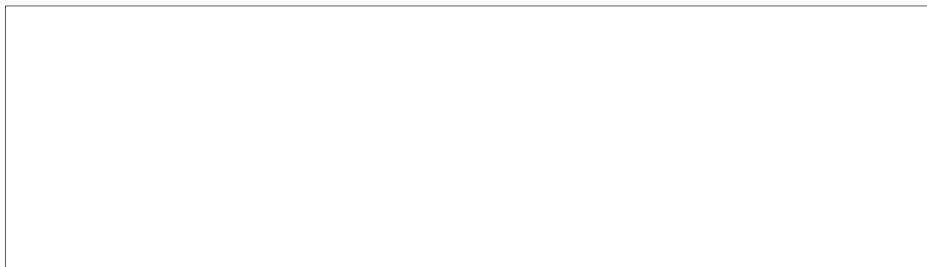
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**1. BURMA REPORTEDLY OFFERED LOAN BY
COMMUNIST CHINA**

[Redacted] Communist China has offered Burma a loan and the Burmese cabinet has discussed the matter, [Redacted]

When questioned by the American ambassador, the Burmese foreign minister and an official of the Finance Ministry stated that an offer of assistance had been made by the Chinese ambassador, but that it had not been specifically for a loan.

Comment

Peiping is apparently trying to prevent the satisfactory conclusion of Burma's negotiations with the United States for financial assistance. An offer by Peiping to buy 3,000 tons of Burmese rubber in August at an above-market price appeared to be designed to bring into question Burma's eligibility under the Battle Act for an American loan.

The present Chinese offer is probably for a more satisfactory payment schedule for Burmese rice moving to China. [Redacted]

(Con-

curred in by ORR)

**2. REJECTION OF SAAR STATUTE IN 23 OCTOBER
VOTE PREDICTED**

[redacted] The Saar statute will likely be defeated in the 23 October vote, [redacted]

[redacted] the referendum question on European status for the Saar is so phrased as to be "loaded" and to influence many voters against it. [redacted] the pro-German parties are still solidly against the statute and that most of the local labor leaders oppose it.

Interest in the referendum is high and more than 90 percent of those eligible are expected to vote. [redacted]

Comment

While the pro-German parties are apparently in the lead in the present campaigning, the number of voters still undecided is believed to be about 25 percent of the electorate, or enough to determine the outcome of the referendum. [redacted]

[redacted] the wording of the referendum question is likely to be misinterpreted by the voters.

Rejection of the Saar statute would probably lead France to press for reimposition of French control of the Saar, regardless of the consequences, and for a halt of all moves toward further European integration. The German press has also reported that an unfavorable vote would have serious repercussions on France's attitude toward German reunification efforts.

3. COCOM CHAIRMAN REPORTEDLY ADVISES JAPAN ON REDUCTION OF TRADE CONTROLS

[Redacted]

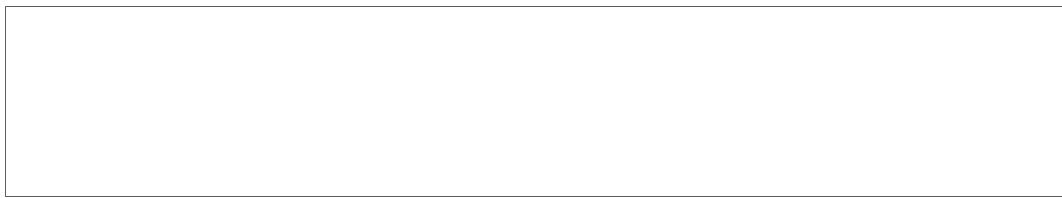
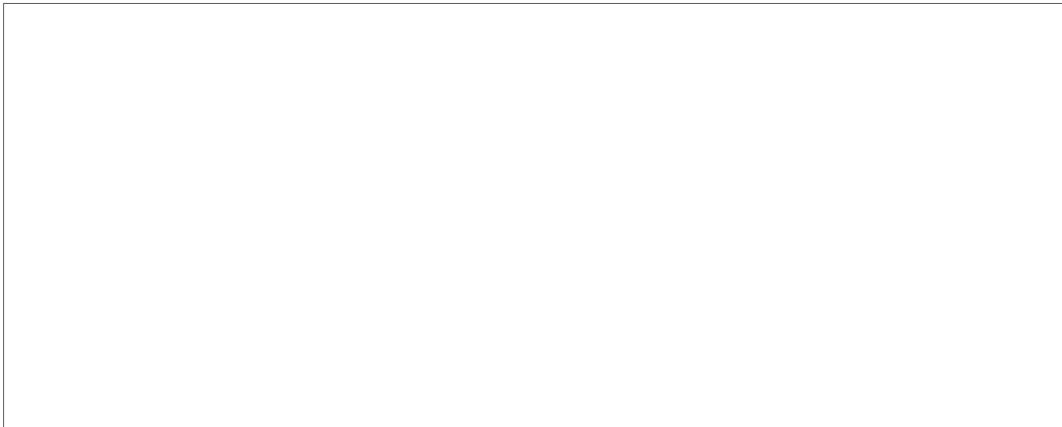
During his recent visit to Tokyo, COCOM chairman Giovanni d'Orlandi apparently abandoned the neutral attitude appropriate to his position and gave the Japanese advice on what tactics to use for achieving a maximum reduction in Western export controls on trade with Communist China.

[Redacted]

[Redacted]

D'Orlandi's visit has probably strengthened the determination of the Japanese government for domestic political reasons to seek a reduction of the China trade controls to the level of controls against the rest of the Communist bloc. On 8 October, Japan handed the United States a list of 111 items it wants removed from the China embargo. (Concurred in by ORR)

4. BRAZILIAN MILITARY REPORTED DIVIDED ON COUP QUESTION



Comment

The division in the army together with reported Communist plans for violence in the event of extra-constitutional military action suggests that any coup would be accompanied by civil strife that might reach serious proportions.

Official returns released by the Superior Electoral Council of about 60 percent of the vote in the recent election show Juscelino Kubitschek with only a 50,000-vote lead over General Juarez Tavora. The normally accurate unofficial returns did not show such a narrow margin between the two at any point. Although the divergence is probably due to a different routine in counting the votes, it is possible that the returns are being tampered with.