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GENERAL

1. Soviet Union demands Finland halt re-export of Soviet products:

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The prolonged Finnish-Soviet trade negotiations have been further delayed by a Russian demand that Finland cease re-exporting Soviet products to the West, according to US Legation in Helsinki. In recent months Finland re-exported 60,000 tons of Soviet grain to Western Europe, and intended to continue this practice in 1953 with grain, sugar and other products.

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Comment: The primary purpose of this demand is probably to tie the Finnish economy more closely to that of the USSR. The firm attitude of the Soviet Union on this point probably also indicates concern over possible competition and the weakening of its bargaining position in trade negotiations with the West.

During the past six months Finland has been re-exporting Soviet grain in excess of its requirements to Western Europe at a considerable loss in order to balance its trade with the West.

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SOVIET UNION

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SOUTHEAST ASIA

5. Chinese Nationalists fighting government forces in northern Burma:

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[Redacted]

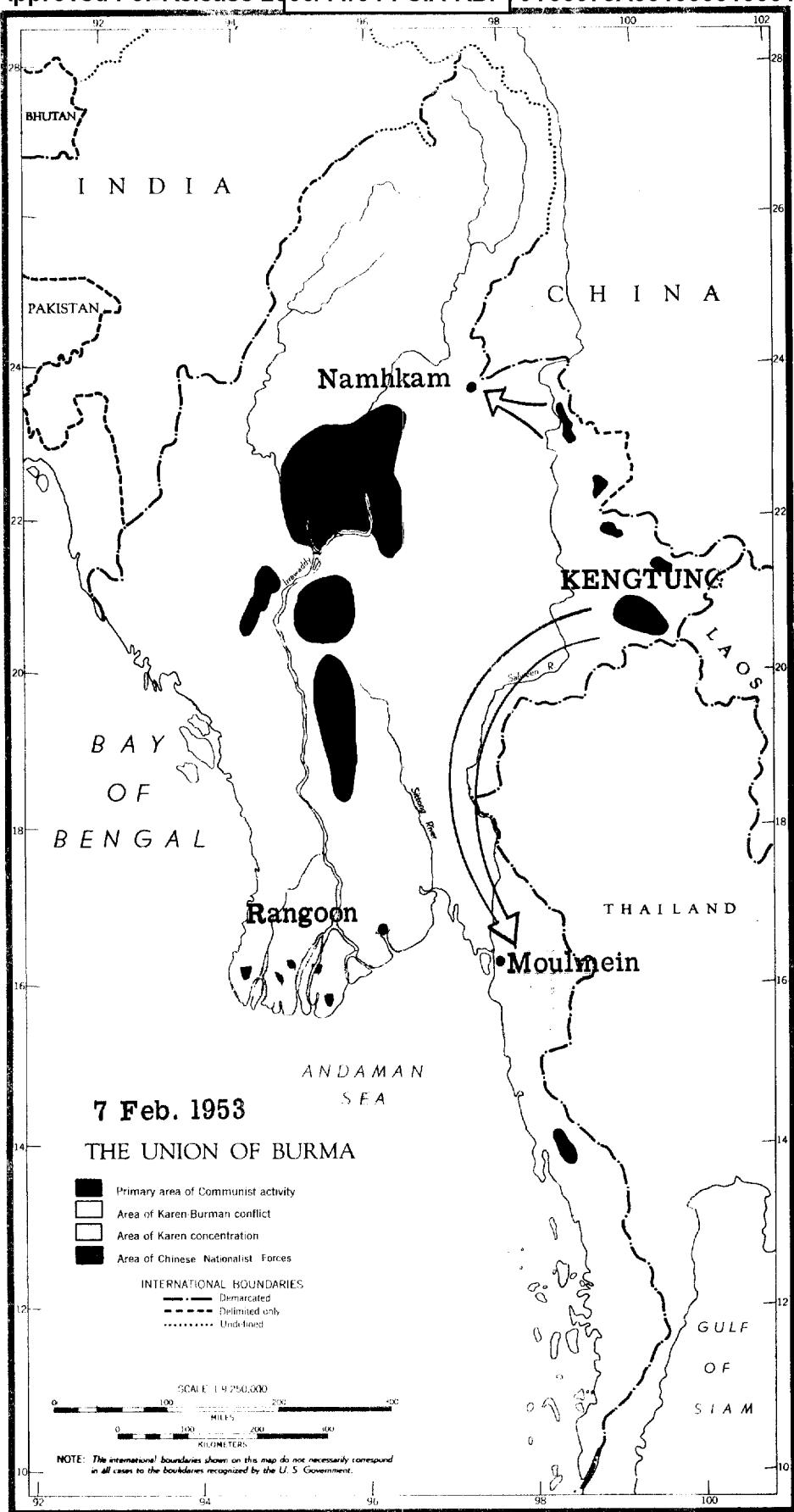
Government forces are conducting operations against 500 to 600 Chinese Nationalists in the Namhkam area of northeastern Burma, according to a cabinet minister (see map, page 7). The government reportedly decided on a showdown after a recent Nationalist attack and diverted troops to this action from other operations in north Burma.

The Attache has received other information that there has been a large build-up of Chinese Nationalist troops in the Moulmein area of south Burma and that the Chinese have constructed a large airfield.

Comment: Chinese Nationalist activity at two such widely separated points emphasizes the extent to which the Chinese have dispersed from their former concentration in the east-central state of Kengtung. The total Nationalist strength in Burma is now estimated at only from 5,000 to 10,000 men.

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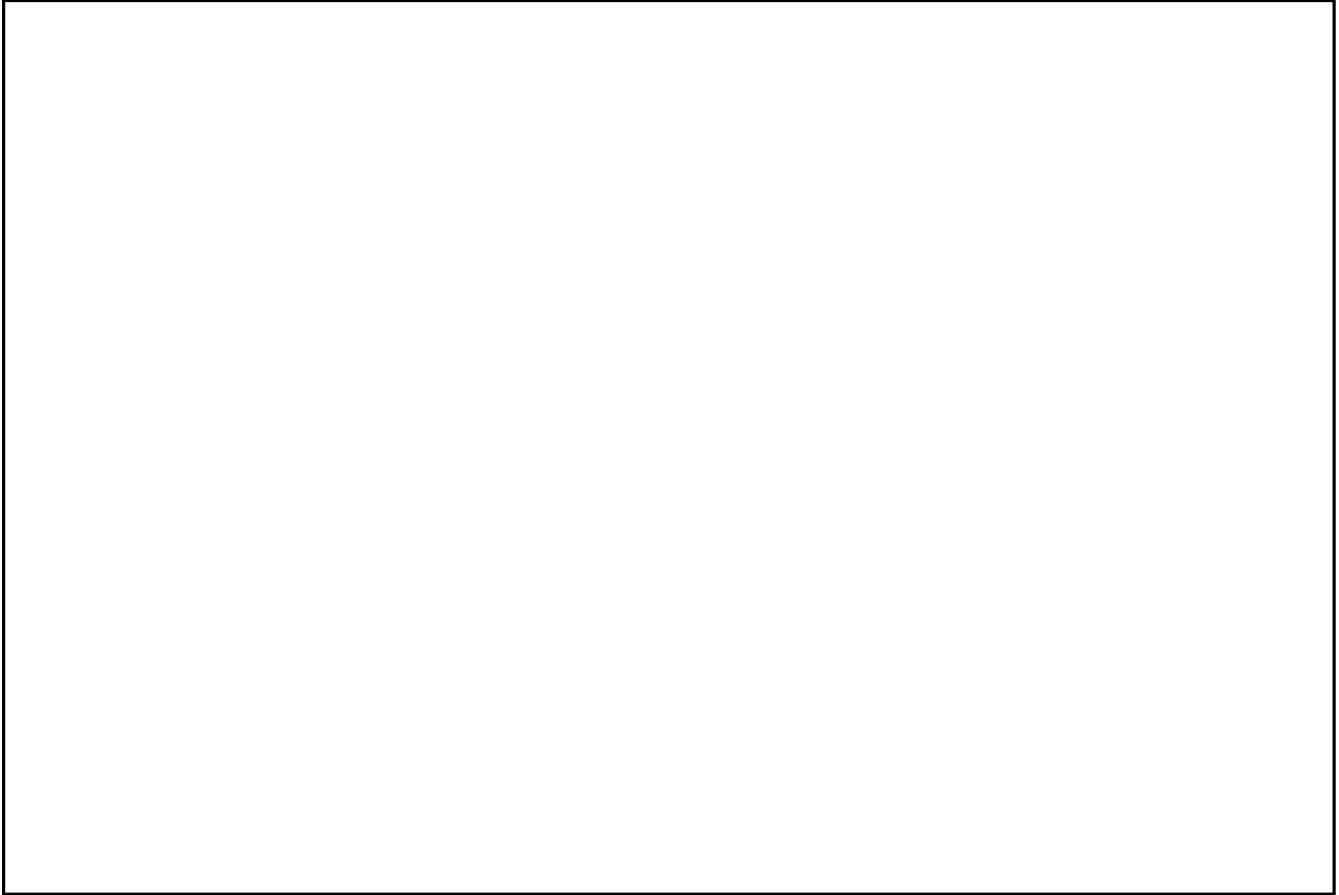
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Recent reports from the American Embassy in Rangoon indicate that official and public anxiety over the Nationalist question, partially stimulated by the President's order to the Seventh Fleet, is rapidly rising and that the government is seeking some early solution.

The Communist insurgents are embarrassing the government by again proposing a joint all-out campaign against the Nationalists.

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9. Top Sudanese leader predicts disturbances if Cairo talks fail:

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The Mahdi, top Sudanese leader, has informed the American Liaison Officer in Khartoum that if no agreement is reached between Egypt and Britain, disturbances will take place simultaneously in Egypt and the Sudan.

The Mahdi said he had learned that the Governor General was planning to call Sudanese party leaders together to consider elections and to decide the country's future. He warned, however, that this approach "would not work" because of the agreement already reached between Egyptian and Sudanese leaders.

It is not necessary, the Mahdi stated, for any Sudanese to participate in the Anglo-Egyptian talks in Cairo because "Egypt is representing the Sudan."

Comment: The Mahdi's statement strengthens Egypt's position in the current talks with Britain since Mirghani, the other important leader in Khartoum, has already indicated his support for the agreement which Cairo worked out with the Sudanese leaders.

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Despite the reported plan of the Governor General to decide the country's future in consultation with Sudanese leaders, the British Government is continuing to negotiate on the subject with Nagib in Cairo.

WESTERN EUROPE

10. French Premier insists on Saar settlement as prerequisite for German rearmament:

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French Premier Mayer told Secretary Dulles on 2 February that the future economic status of the Saar must be settled before the European Defense Community treaty goes into effect.

He said that his government would do everything possible to obtain ratification of the EDC treaty but that in the event of failure, France would use its veto power to block the creation of a German national army as a full partner in NATO. If the veto were "overridden," France would destroy the usefulness of any German national army by rendering ineffective the lines of communication to the Atlantic.

Comment: Mayer's remarks on the Saar in his investiture speech had been interpreted to mean that he would be satisfied with an agreement on the principle of eventually Europeanizing the territory. France and Germany are still diametrically opposed on the maintenance of French economic control of the Saar until Europeanization can be completed.

11. France protests proposed increase in West German border police:

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The French Government is protesting to Chancellor Adenauer the Federal Republic's plan to increase its border police from 10,000 to 20,000 men.

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The proposal, France feels, raises doubts as to Bonn's attitude on the EDC provision limiting national police forces to those necessary for internal order, and strengthens the fear that Bonn is trying to reconstruct a national German army.

Comment: Although the capabilities of the border police have occasionally been strained by kidnappings and shootings along the interzonal frontier, the pressure for doubling this force has come mainly from Interior Minister Lehr, who is perhaps motivated by his desire to be influential in the formation of German EDC contingents.