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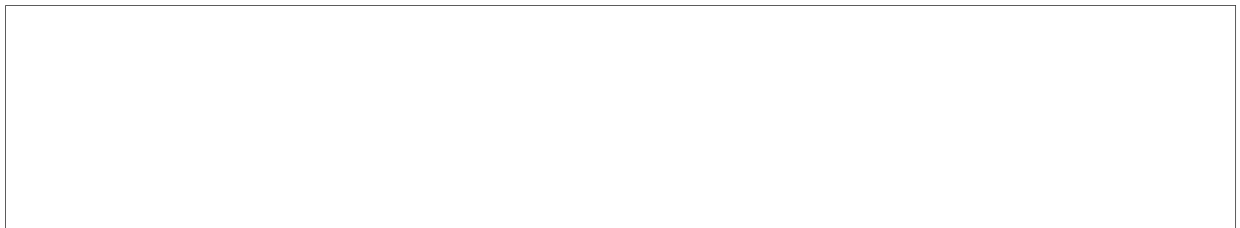
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FAR EAST

1. Comment on Chinese Communist threat to Quemoy:

 The Chinese Communist artillery bombardment of the Quemoy Islands on 3 September (see map, p. 4) appears to be aimed at testing American intentions as to defense of the major Nationalist-held islands off the East China coast. As of 2400 on 3 September (Washington time) the Communists had apparently taken no additional action against the Quemoy.

Following several weeks of propaganda threats to "liberate" the offshore islands and several days of reported Communist troop movements in the Amoy area and reconnaissance of the Quemoy, on the afternoon of 3 September Communist artillery fired on the Quemoy area for more than five hours, reportedly giving Little Quemoy a "thorough working over." Nationalist sources report that two members of the American military advisory group there were killed.

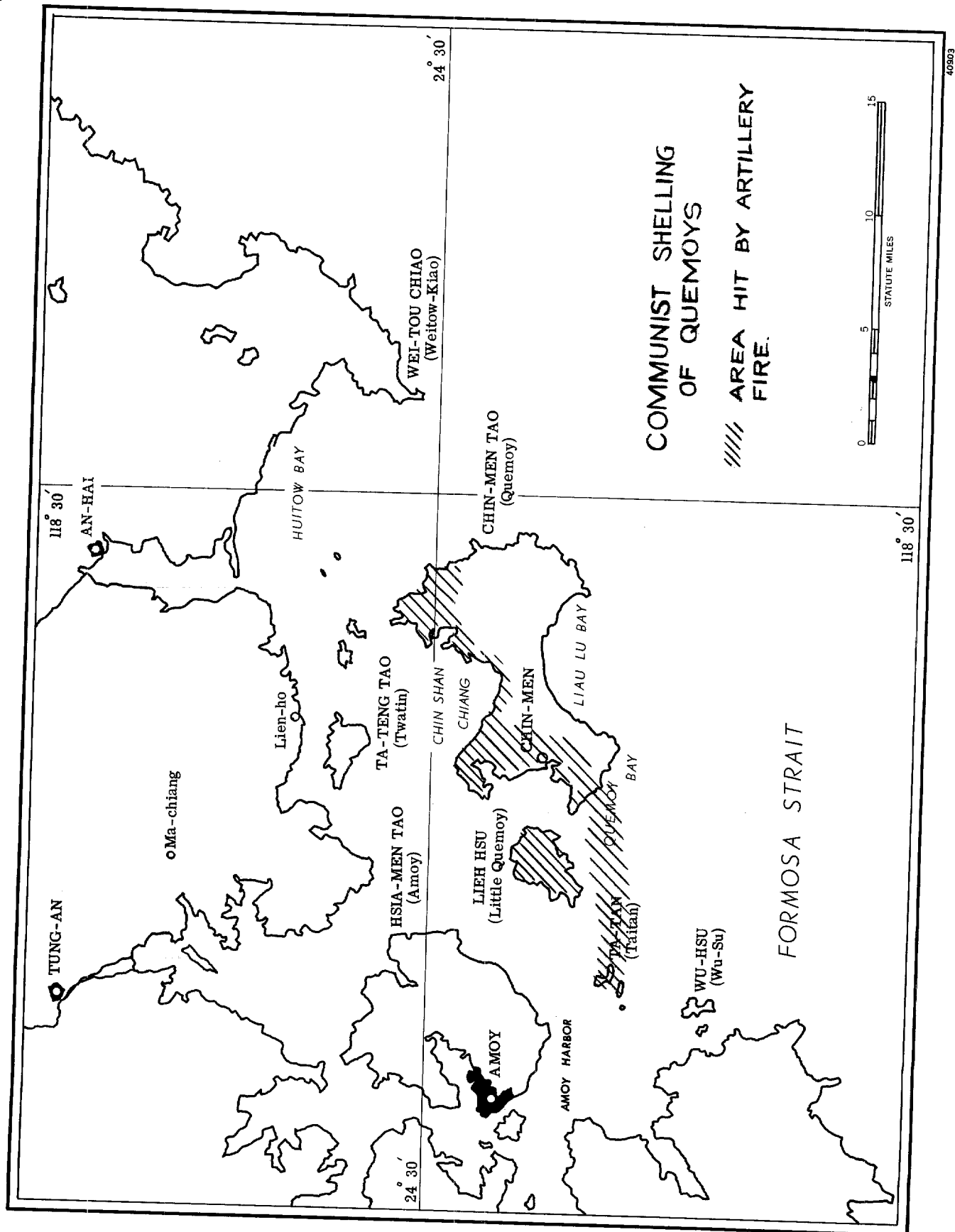
The Chinese Communists are believed to have in the Amoy area at least the 150,000 troops estimated to be required for capture of the Quemoy. Air units as currently disposed could not provide effective support for an attack but could be brought up quickly. Lacking regular landing craft in the area, the Communists would depend on a large number of junks and fishing vessels to transport forces for any attack.

Chinese Nationalist forces on the Quemoy amount to about 43,000 regular troops--1200 of them on Little Quemoy--plus perhaps 11,000 guerrillas; the regulars are American-trained and newly equipped. Nationalist air units based on Formosa could provide the defenders with fighter and bomber support, and destroyers and destroyer escorts could provide supporting fire against landing attempts. A Nationalist official said last week that Taipei is determined to defend the major offshore islands "come what may." The morale of Nationalist forces now on the Quemoy is said to be good, but it could deteriorate rapidly in the absence of effective support.

It is doubtful that a Communist assault on the Quemoy would presage an early assault on Formosa, as the Communists would be expected to bypass these islands if a Formosa operation were imminent. The Communists presumably calculate that capture of the Quemoy--the most heavily defended of the Nationalist island outposts--would depress morale on Formosa and make Nationalist officials more vulnerable to current Communist propaganda aimed at securing their defection.

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SOUTHEAST ASIA

2. Comment on Communist-sponsored "Cambodian Democratic Republic":

[redacted] A broadcast by the Viet Minh-sponsored "free Cambodian" radio on 23 August, the deadline date provided in the cease-fire agreement for the demobilization of Cambodian dissident forces, referred for the first time to the existence of a "Cambodian Democratic Republic." The broadcast implied that the legality and sovereignty of this government over all of Cambodia had been confirmed at Geneva.

Actually, the Geneva agreements in effect confirmed the existence of a single sovereign government--the Royal Government of Cambodia--and provided that the Viet Minh-sponsored dissidents would be demobilized and later integrated into the national community under the auspices of the royal government.

The Viet Minh's evident intention to continue to foment dissident activity in Cambodia in disregard of the cease-fire agreement is further borne out by the failure of the Cambodian dissidents to demobilize by the stipulated deadline.

These developments clearly indicate that the Communists do not intend to abide by the reported "gentlemen's agreement" on the neutralization of Cambodia which Eden and Chou En-lai were said to have reached at Geneva. [redacted]

3. [redacted] attempts to organize "West Irian" division:

[redacted] who is sympathetic to the Communists, is attempting to organize and arm a special West Irian (Netherlands New Guinea) division to be stationed in East Indonesia. Members of the division would come chiefly from PERBPSI, a Communist-controlled veterans organization, and officers would be chosen on the basis of their loyalty [redacted]

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Comment: High government officials have suggested the use of force to wrest control of West Irian from the Netherlands should all peaceful efforts fail.

[] aim, however, would probably be to arm PERBEPsi so that it could serve as a counter to anti-Communist factions in the army. A combination of political and military opposition thwarted his attempt a year ago to arm the group.

NEAR EAST - AFRICA

4. Upsurge in Moroccan terrorism expected:

[]
Anti-American feeling has risen sharply following the beating of a Moroccan by an American officer in Rabat.

Comment: Ever since the violence of early August, terrorism has continued in Morocco on a reduced scale despite the severe security restrictions employed by French military forces. Terrorism could flare up sharply at any time and take an anti-American tack, though this has been avoided up to the present because of the nationalists' hope for American support.

[] there is general skepticism on the part of Moroccans that any reforms will be effected.

5. Jordanian king threatens Israel with retaliation:

[]
King Hussain of Jordan, in protesting to Ambassador Mallory against repeated Israeli army incursions into Jordan, declared that if Israel continues to ask for trouble, Jordan can provide plenty.

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[REDACTED]

The chief of the Israeli-Jordanian Mixed Armistice Commission believes that the Israeli army is trying to provoke Jordan into reopening hostilities and that Jordan's national guard may fall into the Israeli trap, according to the American army attaché in Amman.

Comment: The national guard, which is now deployed along the frontier, is an undisciplined force in comparison with the Arab Legion and may be provoked into violating Israeli territory.

[REDACTED]

WESTERN EUROPE

6. Belgians and Dutch fear further delay in agreement on German rearmament:

[REDACTED]

[REDACTED] in a conversation with Counselor Sprouse of the American embassy in Brussels on 1 September, expressed fear that the French might now reject any formula for German rearmament.

[REDACTED]

[REDACTED] told Ambassador Matthews in The Hague on 1 September that the big question now is whether Mendes-France is actually trying to block any form of German rearmament. He said he considered it most important not to "isolate" France in future negotiations.

Comment: The Benelux countries can be expected to back wholeheartedly any program for West German rearmament on which the major NATO powers can agree.

7. Scelba government seen ready to accept Trieste settlement:

[redacted] Premier Scelba and various high Italian Foreign Ministry officials will reluctantly accept the Trieste solution proposed by Britain and the United States even if [redacted]

[redacted] These leaders, [redacted] are willing to risk the resignation in protest of Foreign Minister Piccioni and violent demonstrations by Communists in Zone A and by the inhabitants of Crevatini, who would fall under Yugoslav rule-- either of which developments might cause the fall of the government.

The leaders feel, however, that there is even greater danger that the government will fall if parliamentary debate on the Foreign Ministry budget begins this fall with the Trieste issue still unsettled. They foresee a drastic reorientation of Italian policy if the Scelba government falls.

Comment: [redacted]

[redacted] the question of territory is the only major stumbling block left in the London negotiations on the Trieste problem. Italy has asked token territorial concessions as a supplement to the 31 May proposals presented it by the United States and Britain.

With the reconvening of parliament on 21 September, the Foreign Ministry budget debate immediately thereafter, and the anniversary of the 1953 Anglo-American declaration on 8 October, the government may be put in a very difficult position if a Trieste solution is not reached soon. [redacted]