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GENERAL

1. British Foreign Office proposes travel restrictions on Soviet officials:

3.3(h)(2)

[redacted]

The Permanent Undersecretary of the British Foreign Office has approved a proposal for restricting the travel of Soviet officials in Britain. The American Embassy in London reports that the plan is identical with a State Department draft on the same subject.

The cabinet has not yet acted on the proposal. Britain has hitherto been reluctant to take such retaliatory action for fear of inviting further Soviet restrictions.

Comment: According to the proposal drafted by the State Department, in which the American Embassy in Moscow generally concurs, the travel of Soviet officials in the United States would be regulated on the basis of reciprocity.

Although the related problem of the treatment of Western nationals in Eastern European countries has been discussed in NATO, there is no indication that Britain is willing to abandon its relatively cautious attitude toward retaliatory action against the Satellite nations.

2. Canada will increase contribution to NATO:

3.3(h)(2)

[redacted]

Canada has agreed to allot to NATO an additional 100 million dollars out of its 2.4 billion dollar defense budget. This sum, like the 225 million dollar NATO contribution previously provided for in the 1952-1953 defense budget, will be in the form of military items manufactured in Canada.

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Comment: This increase in the Canadian contribution to NATO is more substantial than had been expected after the cabinet's rejection last month of the Temporary Council Committee's recommendation that Canada grant 200 million dollars of economic aid. Finance Minister Abbott had indicated earlier that the contribution would be limited to the difference between actual defense expenditures and the amount budgeted. The cabinet still refuses to increase the total Canadian defense expenditure for 1952-1953.

FAR EAST

3. Independent Japanese attitude revealed at Tokyo talks:

3.3(h)(2)

[Redacted]

Dean Rusk, Chief US negotiator at the Tokyo conference to conclude an administrative agreement under the US-Japan Security Treaty, states that the Japanese negotiators are friendly

and anxious to achieve a satisfactory agreement but are vigorously insisting on arrangements similar to those now in force between the US and its "other important friends."

The Japanese negotiators insist on assurances that every aspect of the occupation will end with the effective date of the peace treaty. They particularly object to the US-drafted agreement on bases, which is more severe than a similar agreement signed with the Philippines.

Comment: The Japanese Government is sensitive to any implication that the occupation's extraterritorial privileges will not be brought to a halt with the effective date of the peace treaty.

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4. China sold almost entire strategic metal output to USSR in 1951:

[redacted] China sold to the Soviet Union during 1951 a minimum of 37 million dollars worth of highly strategic nonferrous metals. This included 7,300 tons of antimony (both metal and concentrate), 1,504 tons of molybdenum concentrate, 7,496 tons of tin and 14,000 tons of tungsten concentrate. The prices paid by the USSR for these metals, except antimony, rose sharply during the year. This was probably a result of increases in prices on the international market.

3.3(h)(2)

Comment: The above exports represent almost the entire estimated Chinese output of these metals for the year.

A comparison of the trade figures with the annual Soviet supply of these minerals shows that Chinese exports were a substantial, and in the case of tungsten and antimony, a predominant source of these items to the USSR.

5. China and East Germany plan 1952 trade:

3.3(h)(2)

[redacted] plans to exchange East German industrial products for Chinese metals and agricultural products during 1952. East Germany is to send machine tools, chemicals, medicines and medical equipment, and equipment for communications, electric power and photography. Values, where cited, aggregate over 56 million dollars; in addition there are other listed items of unspecified value.

3.3(h)(2)

Shipments from China are to include tungsten, molybdenum, tin, antimony, manganese, asbestos, grains, peanuts, silk, and tea.

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Comment: The 1952 level of East German exports to China indicated above is at least four times the known amount for 1951, and is higher than that of China's imports from any other Eastern European Satellite in the past year.

In October 1950, Peiping announced the conclusion of an agreement with East Germany covering 1951 trade. These messages offer the first evidence that negotiations between China and East Germany governing 1952 trade may be near completion.

SOUTH ASIA

6. Kashmiri Prime Minister criticizes UN action on Kashmir:

3.3(h)(2)

[redacted]
Kashmiri Prime Minister Sheikh Abdullah told the American and British UN delegations in Paris that he doubts UN Representative Graham can solve the Kashmir problem under his present terms of reference. The Prime Minister believes that neither India nor Pakistan can now withdraw from its position and that Graham's authority should be widened to allow consideration of new solutions. Abdullah also suggests that Kashmiri refugees would have to be repatriated before a fair plebiscite could be held although this might prove impossible.

Comment: High Kashmiri and Indian officials seem to be engaged in a campaign to demonstrate to the United States and Great Britain the knotty problems still to be faced before a plebiscite can be held in Kashmir, and to convey that a solution other than an overall plebiscite would be preferable.

Abdullah has already made it clear that he hopes the Legislative Assembly of Indian-held Kashmir, which he controls, will eventually be allowed to determine Kashmir's relationship with India. He has also indicated his desire for a substantial degree of autonomy for Kashmir.

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NEAR EAST - AFRICA

7. National Front control of new Iranian Parliament foreshadows trouble:

[redacted] The Shah is worried over the probable composition of the new Majlis, Minister of Court Ala has told the US Ambassador.

3.3(h)(2)

National Front leaders have resorted to terror and chicanery to secure the election of their candidates, and the well-organized Kashani clique may control the new Majlis, compelling Mossadeq to conform to its desires or resign.

The Shah fears also that experienced men in key positions will be purged and replaced by National Front henchmen of little experience or ability. There are even indications that the new government might attempt to change the status of the armed forces, subordinating them to the government rather than to the Shah. According to Ala, Mossadeq has refused to consult the Shah on the grounds that he did not wish to involve him in current politics.

Comment: Incomplete election returns indicate that National Front candidates are running well ahead. Mossadeq's well-known attitude toward the Shah and his conviction that the influence of the Shah and the army should be reduced foreshadow Parliamentary maneuvers to limit the ruler's power.

8. Continued, if limited, friction reported between British and Egyptian forces:

3.3(h)(2)

3.3(h)(2)

[redacted] [redacted] Egyptian Army Commander of the Suez Gulf area "to prohibit foreigners in general, and the British in particular," from using the desert road between Suez and Cairo. This order will presumably be rescinded if the British return an Egyptian military post in the Suez region to the Royal Egyptian Frontier Corps.

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3.3(h)(2)

WESTERN EUROPE

9. Adenauer softens attitude on arms restrictions:

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At a meeting with the Allied High Commissioners on 5 February Chancellor Adenauer vigorously rejected a French demand that Germany accept an arms restriction convention which would be a part of the Allied-German Contractual Agreement. He stated, however, that when the general agreement is promulgated, he would be willing to make some form of separate declaration affirming that security restrictions contained in the European Defense Community convention would have "general" application.

The American High Commissioner feels that such a device might break the current deadlock.

Comment: The proposed declaration would probably stipulate that West Germany would limit arms production to those fields assigned it under the European Defense Community. This proposal in essence is the British position on security controls; it is acceptable to the United States, but not to France which still wants the United States to be a party to any agreement on German security controls.

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