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29 November 1951

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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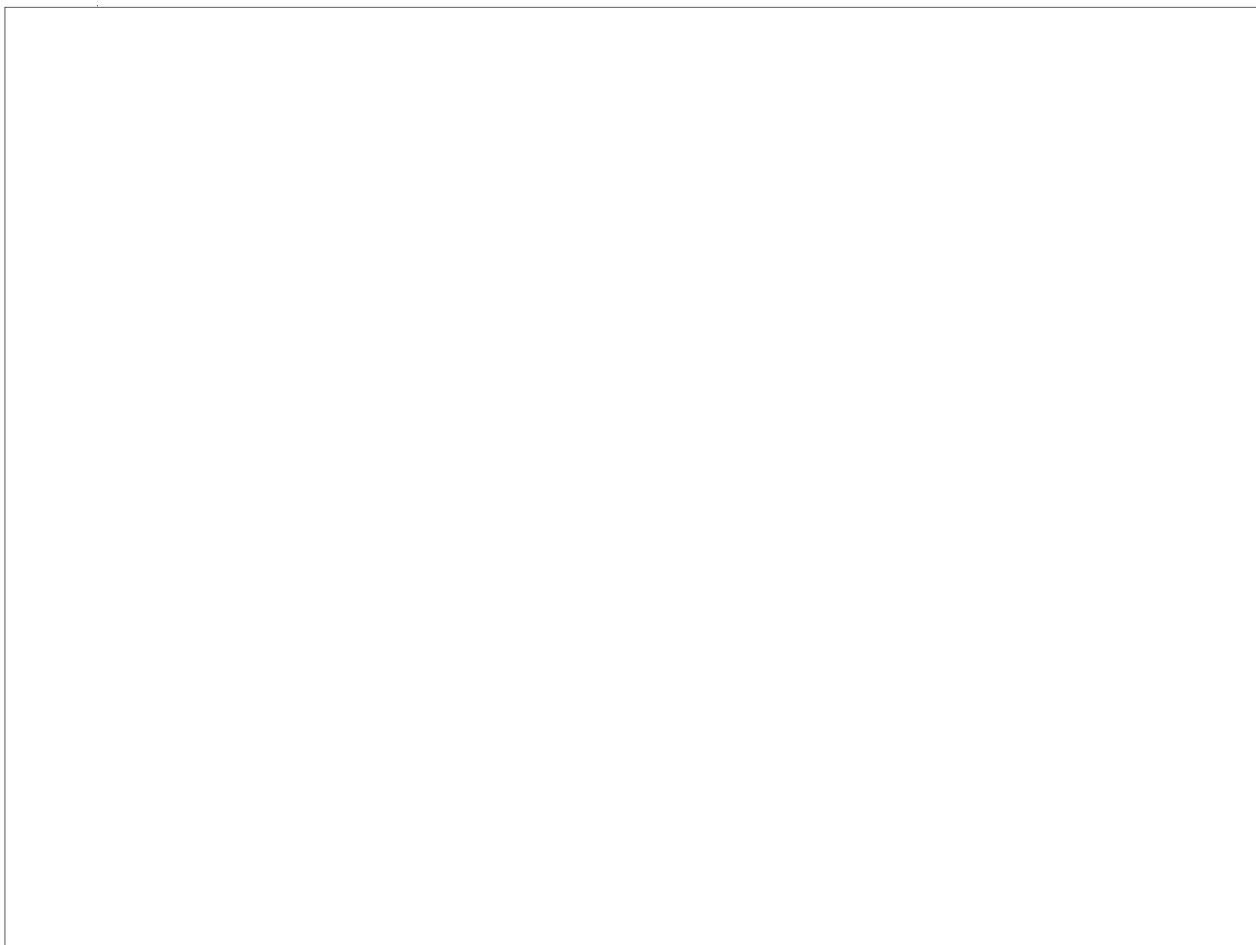
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**FAR EAST**

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**3. Soviet training program for Chinese forces in Manchuria assessed:**



Up to 50 Chinese Communist divisions may be involved in the current Soviet-supervised re-equipping and training program centered in Manchuria, according to preliminary US Far

East Command analysis. Training in the combat arms is believed to constitute the major part of this program.

Confirmed reports of the departure of Chinese Communist troops from South and East China towards Manchuria since late 1950, and the failure of these troops to appear in the Korean war, form the basis for FECOM's analysis.

Far East Command further believes that the supplying of Soviet equipment to troops presently in Korea is a measure to enable China to remain in the Korean war until the 50 divisions in Manchuria, modernly equipped and trained, are ready for combat.

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Comment: A Soviet program for training and reequipping Chinese Communist ground forces in Manchuria has been frequently reported, but nothing is reliably known of the scope of such a program.

4. De Lattre may be ready to relinquish his Indochina post:



General de Lattre himself is probably the source of the rumors predicting his resignation as High Commissioner in Indochina, according to a well-placed French official. It is quite

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likely that the general wants to leave Indochina while he is still at the height of his success, particularly since the fulfillment of French desires in that area is increasingly uncertain. It is also possible that he has political ambitions which could lead him into the Gaullist camp or into accepting an important diplomatic post.

Comment: The persistence of these rumors recently led the French Minister for the Associated States to deny that De Lattre's replacement is under consideration.

General de Lattre's health has been adversely affected by his service in Indochina and he might resign on this account. His departure would probably disrupt the military effort and thus increase parliamentary opposition to France's continued burden in Indochina.

5. Australian position on New Guinea moderated:



The US Embassy in Canberra comments that Australia, although not advocating Indonesian control of West New Guinea, has adopted a

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less rigid attitude than it held a year and a half ago. Australia feels that the Indonesian Government is not yet stable, however, and fears that unrest in West New Guinea might have repercussions in adjacent Australian territory.

Australia prefers that the issue remain dormant until Indonesia achieves political stability, after which a reasonable solution could be more easily reached. Should a crisis develop over New Guinea in the near future, however, Australia may still feel forced to support continued Dutch sovereignty.

Comment: Approximately a year and a half ago, when the Netherlands and Indonesia were preparing to discuss the disposition of West New Guinea, Australia made vigorous representations for continued Dutch sovereignty over the area. Australia argued that its interest in the question was equal to that of the Netherlands and Indonesia and that it should in effect be given a veto power over any proposed change of status. 25X1

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7. British seen willing to resume oil negotiations:


 In view of the US Embassy in London, Foreign Secretary Eden's statement on 19 November that he would be willing to negotiate with Iran at any time, although offering no particular encouragement, means that the British have abandoned the policy of refusing to negotiate with Mossadeq. The Embassy believes that the new British Government has allowed itself wide latitude in possible future negotiations on management of the oil industry but will press for employment of some British personnel within the organization.

Comment: The intensity of British opposition to Mossadeq has wavered at times, but they had before Eden's speech maintained consistently that he must be replaced if any solution to the oil problem is to be found. The British have felt that failure of Mossadeq to obtain economic aid would force him to resume negotiations.

Since his return to Iran, Mossadeq has increased his attacks on the British, placing on them the onus for the failure of the oil discussions in Washington. This attitude, from which he is unlikely to swerve, will prevent the resumption of negotiations.

## WESTERN EUROPE


8. Constitutional obstacle to German defense contribution is explored:

 United States officials in Bonn doubt that West Germany can provide any defense contribution in the foreseeable future if the Parliament must amend the constitution in order to sanction it. France fears that the contribution requires such an amendment, calling for two-thirds approval, rather than a motion calling for only a majority vote. Many West German leaders, according to American observers, maintain that no amendment is required. Opposition Social Democrats are vehemently demanding that approval take the form of an amendment.

Comment: The constitution is extremely vague in matters regarding rearmament, and contains several articles which might be invoked by opponents of a German defense contribution. The Social Democrats, with the help of only a few votes from other parties, could muster more than one-third of the votes necessary to block any constitutional amendment on rearmament.

If Adenauer should attempt instead to have the defense contribution approved by a parliamentary motion, the Social Democrats are likely to send the matter to the newly established Constitutional Court. This action might result in further delays or uncertainty in the whole matter of rearmament.

9. Canadians requested to give economic aid to Europe:

 The special NATO committee examining political<sup>25X1</sup> economic capabilities of its members has proposed that Canada in 1952 extend 200 million dollars in economic aid to European member nations. In its view, adding Canada to the US as a source of economic aid would have an important psychological effect in Europe and would greatly facilitate passage of the 1952-53 Mutual Security Agency appropriations by the US Congress.

The Canadian Finance Minister objected that the defense proposals for 1952-53 represent the maximum portion of its gross national product that Canada can contribute. The Minister of Commerce and Defense Production indicated, however, that these problems did not seem too serious.

Comment: Canada is a strong supporter of NATO and is somewhat self-conscious about the smallness of its military commitments. Therefore, it may well meet this request.

The Canadian decision will be influenced by the rate of US defense purchases in Canada. In the first six months of 1951



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Canada ran a 344 million dollar trade deficit with the US, the second largest in history. This deficit is partly attributable to defense purchases resulting from the decision to standardize Canadian military equipment with the United States.

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