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**2. YUGOSLAV VICE PRESIDENT OUTLINES ECONOMIC
RELATIONS WITH USSR**

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[Redacted]

Yugoslavia's economic boss, Vice President Vukmanovic-Tempo, who negotiated the recent economic agreements with the USSR, told an American official that he went to Moscow with firm instructions

not to agree to the delivery of strategic materials, as this would be an unfriendly act against the United States. Vukmanovic stated that while his government was opposed to embargoes under existing world conditions, he had made it clear to First Deputy Premier Mikoyan that Yugoslavia would continue to comply with the terms of the Battle Act.

He said that under the recent trade agreement Yugoslav exports to the USSR for the next three years would actually increase only slightly, since Soviet credit would be used to offset a Yugoslav trade deficit. He said further that he did not expect much of an increase in the scheduled volume of exchange with the Satellites, but did expect some decrease in West European trade as Yugoslavia's trade eastward developed.

Regarding the Soviet offer of atomic assistance, he said that the USSR would not provide a complete reactor, but would supply Uranium 235, graphite, and technical assistance. The parts for the reactor are to be built in Yugoslavia and assembled by Yugoslav technicians with Soviet technical assistance.

Comment

Vukmanovic's reassuring statements, which contrast with his previous assertion that Yugoslavia could no longer abide by Battle Act restrictions, are probably dictated by Yugoslavia's desire to continue receiving US aid. (Concurred in by ORR and OSI)

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**3. KHRUSHCHEV COMMENTS ON SOVIET GUIDED
MISSILE AND AIRCRAFT PROGRAMS**

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[Redacted]

According to a statement by Chancellor Adenauer to the three Western ambassadors in Moscow, Khrushchev, in conversation with him, indulged in boastful claims concerning Soviet strength. The Soviet leader emphasized in particular new long-range aircraft and other jet planes, atomic weapons and guided missiles. The chancellor felt that Khrushchev was exaggerating in an attempt to impress him. Khrushchev said for example that the USSR had planes that could go from Moscow to Peiping in six hours, whereas subsequently Bulganin admitted to him such planes were still in the future. Further claims were made that the USSR was ahead of the United States in preparations for space satellites and that the American conception of a satellite was little more than a "guided missile for military purposes."

Comment

These "boastful claims" are probably based on fact. Statements made by high Soviet officials concerning their nuclear and aircraft programs in the past have been generally accurate.

The Soviet claim that the USSR is ahead of the United States in preparations for a space satellite is probably correct. It is considered that an uninstrumented satellite could be launched by the Soviet Union in early 1957 if a crash program were instituted.

Khrushchev's claim that the USSR has planes that could go from Moscow to Peiping in six hours is considered to be only slightly exaggerated, since both the BISON and BADGER could cover the 3,200 nautical miles in six hours flying at top speed. Khrushchev probably did not take into consideration the fact that top speeds cannot be maintained for such a length of time.

(Prepared by OSI)

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4. VIET MINH OUTLINES PLAN FOR UNIFICATION

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A program ostensibly giving South Vietnam a large measure of autonomy after unification was outlined by a

Viet Minh united front congress that met in Hanoi from 5 to 10 September. The program calls for election next year of a national assembly which would appoint a coalition government. There would also be separate assemblies for the North and the South that would have wide executive, administrative, and legislative powers.

The Viet Minh program proposes that fusion of the military forces of the two zones take place by phases through negotiations between the two commands.

Comment

The final declaration of the 1954 Geneva conference specified that free elections would be held in July 1956 to bring about Vietnam's unification, but left all details to consultations between the two sides.

This is the first time the Viet Minh has made any specific proposals on unification. The suggestion of regional autonomy is obviously designed to win popular support in the South, and approval abroad. It would not, however, be attractive to the Diem government.

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