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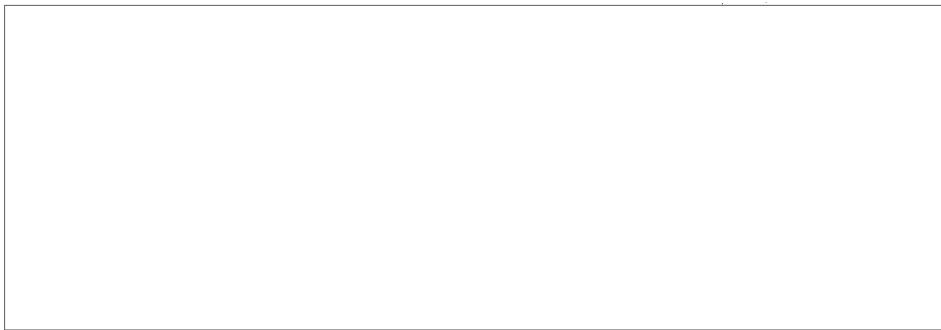
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1. EGYPTIAN-SOVIET ARMS DEAL REPORTED IMMINENT

[Redacted]

[Redacted] the Soviet Union was press-ing Egypt to accept much more equipment than it wanted. The Soviet Union was also said to have offered long-term credit and a five-year supply of spare parts with each item shipped. [Redacted]

Comment

Since last spring the USSR has report-edly been offering arms to Egypt and other Middle Eastern states. An Egyptian arms purchas-ing mission was reported to have been sent to Moscow about 1 September. While these reports may have been passed on in order to hasten favorable American action on Egypt's arms requests, it now seems likely that Egypt will actually complete negotiations for Soviet arms.

2. COMMENT ON SOVIET-EAST GERMAN TREATY

[Redacted]

The treaty concluded in Moscow on 20 September by the Soviet Union and the German Democratic Republic places East Germany in a status similar to that of the European Satellites. The 400,000-man Soviet army in East Germany will remain temporarily, according to the treaty. The treaty removes all other overt vestiges of Soviet control.

The Soviet Union clearly intends to use the troop issue in negotiations to persuade the West to withdraw forces from West Germany and dissolve NATO. Khrushchev has stated that Soviet troops will be withdrawn whenever the Western powers are prepared to reciprocate.

Letters accompanying the treaty provide that East Germany shall have control over all communications traversing its territory between the Federal Republic and West Berlin. This control is to extend to air transportation, but the access of the goods and persons of the Allied forces in West Berlin will remain subject to Soviet control "pending a special agreement." In its varied efforts to force recognition by the West German government, East Germany will probably increase its assertion of control over West German traffic. A communiqué issued at the conclusion of the talks stated that the USSR is considering favorably the question of German prisoners of war and will submit its proposals to the Presidium of the Supreme Soviet.

[Redacted]

3. ASSOCIATES OF SUN LI-JEN TO BE REMOVED IN FORMOSA

[Redacted]
The commander in chief of Chinese Nationalist ground forces, General Chia Yu-hui, a former close subordinate of General Sun Li-jen, expects to be replaced by the chief of the Taipei garrison command [Redacted]

The Taipei garrison command reportedly will be taken over by a "Chiang Ching-kuo man" now in the Ministry of National Defense.

[Redacted] Chiang Ching-kuo is planning to replace all persons in influential positions who have had close relations with General Sun. Lower-level officers who received training under Sun will be called in for "reindoctrination."

Comment

General Chia was reportedly being closely watched early in August, as were other officers who had been close to Sun.

Removal of capable commanders like Chia and wholesale "reindoctrination" of junior officers would lower morale in the army. Such moves would be interpreted as another victory for Chiang Ching-kuo, Chiang Kai-chek's son, who controls political officers assigned to all military units.