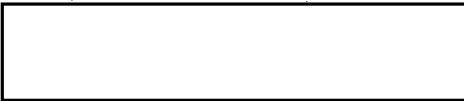


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5 January 1955

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GENERAL

1. Invitees initially wary of Asian-African conference:

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[REDACTED]

Initial reactions of several of the principal invitees to the proposed Asian-African conference show they are predominantly wary, according to reports from American embassies.

Egypt and the other Arab states will probably attend, although they had been led to believe Peiping would not be invited. Jordan apparently fears the expense of participation, however.

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[REDACTED]

Iran, while preferring that no conference be held, will find it difficult to refuse if other Near Eastern states accept. Cambodia is likely to be pressed by India to accept.

Thailand has already indicated hostility to the Asian-African meeting, while Japan is seeking American guidance. The Philippines is noncommittal, but there are indications that it will attend with reluctance. These reactions are not definitive, but they indicate a feeling among a number of the invitees that acceptance of the invitation might be the lesser of two evils.

2. Indians said to have dominated Colombo powers conference:

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[REDACTED]

Nehru and his principal adviser on foreign affairs, Krishna Menon, dominated the recent Colombo powers conference in Indonesia, since they were the only delegates who seemed to know what they wanted, according to the British embassy in Djakarta. Of the 17 points made in the final communiqué, 13 were adopted from Nehru's brief.

Pakistan's Mohammed Ali "did well" in obtaining an invitation for Japan and in blocking Nehru's desire to make some official reference to "peaceful coexistence." The other

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three premiers, however, contributed little or nothing. The conference ended in a generally friendly atmosphere, although Nehru appeared somewhat disappointed with the results and Kotelawala of Ceylon indicated that the meeting only "made the best of a bad job."

Comment: The most important result of this meeting was the invitation to Communist China to attend the Asian-African conference scheduled to be held in Indonesia next April. Unless other countries, particularly those friendly to the West, are represented by dynamic personalities bearing concrete proposals, Peiping is likely to steal the show.

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3. Yugoslav-USSR trade talks reported having difficulties:

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The trade talks in Moscow between representatives of the USSR and Yugoslavia are not going well, according to Yugoslav counselor of state Kopcok.

He told the American embassy that this was no surprise, as it was clear from the beginning that the USSR would insist on certain strategic materials, and that, in the face of repeated Soviet demands for copper, the Yugoslav delegation had been advised by its government that "not one gram" would be made available.

The Yugoslav government considers Soviet attempts to dislodge Belgrade from its earlier position on strategic goods as politically motivated, and not related to economic considerations.

Comment: Kopcok's statements probably represent in part an attempt to allay any suspicions regarding Yugoslavia's Western alignment. It is quite possible that Moscow has attempted for political reasons to take advantage of the critical Yugoslav economic situation to force Belgrade to abandon its policy of co-operation with Western strategic export controls. Belgrade, however, has in general complied with Western export controls.

If satisfactory terms can be negotiated, the Yugoslavs are undoubtedly willing to conclude a one-year government trade agreement substantially in excess of the 1 October arrangement, which called for a total exchange of \$5,000,000 during the last three months of 1954.

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4. Trilateral arrangement may supplant Sino-Ceylonese rice-rubber deal:

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Burmese premier U Nu has proposed a trilateral trade agreement to supersede the five-year Sino-Ceylonese rice-rubber agreement under which Ceylon supplies

Peiping with 50,000 tons of rubber for 270,000 tons of Chinese rice annually, according to the Ceylonese prime minister.

Under the proposed procedure, Burma would purchase Ceylonese rubber and resell it to Communist China, while the Burmese would supply rice to Ceylon. The Ceylonese minister of agriculture will go to Rangoon shortly to negotiate details of the agreement.

U Nu is reported to have said that Chou En-lai informed him Peiping was willing to cancel the Ceylon agreement if Burma would be responsible for delivery of the rubber.

Comment: All three countries would appear to gain from this arrangement: Burma hopes to sell a larger amount of rice than under its current contracts with China and Ceylon; the latter two countries would save a little on transportation costs. Ceylon also presumably hopes to become eligible again for American aid under the terms of the Battle Act.

Peiping would further one of its objectives in southern Asia by implicating Burma in a large-scale violation of the UN embargo against Communist China. (Concurred in by ORR)

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SOUTHEAST ASIA

7. Vietnamese premier approaches showdown with Binh Xuyen:

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The gambling concession of the Binh Xuyen gangster organization expires on 15 January and Premier Diem does not intend to renew it. This may result in the sabotage of Saigon's public utilities by the Binh Xuyen, according to reports reaching the American embassy.

The acting French commissioner general has expressed concern over these reports, especially since an atmosphere of unrest already exists as a result of the prolonged strike of 14,000 Vietnamese civil employees of the French army in the Saigon area.

General Collins believes there is some basis for French concern over the Vietnamese army's ability to handle both the strikers and the Binh Xuyen at the same time.

Comment: The Binh Xuyen's control of the Saigon police has severely handicapped Diem in his program to eliminate corruption. He is apparently determined, however, to make an issue of the notorious Saigon gambling concession.

The French high commissioner and General Ely have recommended that Paris grant 800,000,000 francs to settle the civil employees' strike.

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EASTERN EUROPE

8. Heightened public tension in Poland reported:

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[redacted]

Evidence of heightened public tension in Poland is shown in an unusual spate of rumors on the likelihood or even imminence of war, the possibility of a governmental shake-up, and the probability of a currency devaluation, according to the American embassy in Warsaw.

Comment: Orbit threats to take drastic countermeasures in retaliation for the rearming of West Germany have also brought public tension to a high point in Czechoslovakia and Rumania. These governments are taking no steps to calm public opinion, and it is even likely that such rumors were officially inspired as part of the Orbit campaign against French and German ratification of the Paris accords.

These rumors also may have been launched to condition the public for measures to be taken following the ratification of the accords and the rearming of West Germany. On 30 December, representatives of the parliaments of Poland, East Germany and Czechoslovakia reiterated their determination to "take all steps considered necessary for safeguarding their independence and the integrity of their frontiers."

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LATIN AMERICA

9. Remon assassination seen prelude to "Central American flare-up":

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[redacted] informed the American embassy in Caracas on 3 January that he considers the assassination of Panamanian president Remon the prelude to a "Central American flare-up." He also stated that Remon had reported to Venezuelan president Perez Jimenez two weeks ago that Cuban gunmen were planning to kill both Perez and Somoza. Nicaraguan dictator Somoza also had had a report of a planned attempt on Remon.

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