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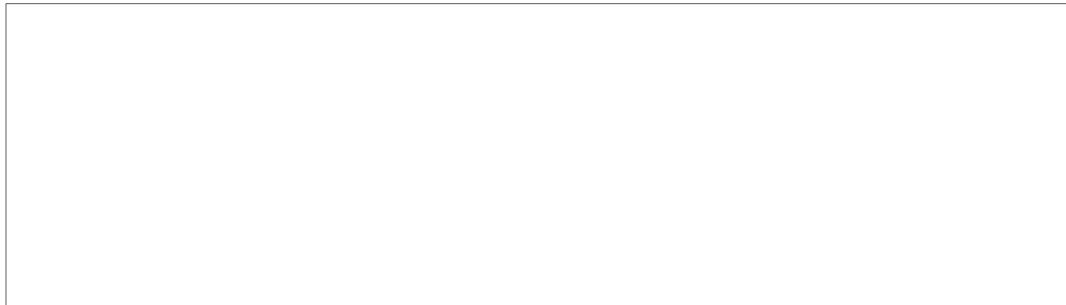
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~~TOP SECRET~~**FAR EAST****1. Comment on Chou En-lai's speech on foreign affairs:**

Chou En-lai's 30 July speech on foreign affairs before the National People's Congress supports previous indications that the Chinese Communists at Geneva will attempt to set up negotiations with the United States on larger issues and that Moscow and Peiping are holding in reserve a proposal for an international conference on Far Eastern questions.

Chou said explicitly that Peiping will try to make the Geneva talks "pave the way" for further negotiations with Washington. Chou reiterated that the basic topic for such negotiations should be the American "occupation" of Formosa and American "interference with the liberation" of Nationalist-held offshore islands. He identified as related issues the "extremely unjust policy of blockade and embargo" and American "air intrusions, war maneuvers, and subversive activities."

Chou reaffirmed the long-standing Chinese Communist position that the United States should withdraw its armed forces from the China area, that there is no need for a cease-fire, and that the "liberation" of Formosa is an "internal" affair to be arranged if possible through negotiations between Peiping and the "local authorities" on Formosa.

Chou's generally conciliatory speech indicates that the Chinese Communists in the Geneva talks will avoid making proposals obviously unacceptable to the United States, such as the exchange of thousands of anti-Communist Chinese students in the United States for the few Americans detained in China. Chou suggested that the United States and Communist China each formally entrust a third party to look after the interests of its nationals, primarily their repatriation.

Resuming the line the Chinese Communists followed just prior to the summit talks, Chou stated that "we support the proposal" of various Asian leaders for an international conference on Far Eastern issues. In addition to the Formosa problem, "the most tense" in the Far East, Chou again identified the outstanding

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issues as the "threat" to the Geneva agreements on Indochina and the failure to achieve "peaceful unification" of Korea.

Chou for the first time explicitly stated that Peiping desires "a pact of collective peace" among Pacific powers, including the United States, "to replace antagonistic military blocs... [redacted]

SOUTHEAST ASIA

2. Vietnamese believe French official implicated in Saigon bombings:

[redacted] South Vietnam government officials are convinced that the French Deuxieme Bureau, under Colonel Savanni, was responsible for the 22 and 24 July bomb attacks on

Saigon telephone and power installations, as well as the recent grenade and bomb incidents aimed at Americans [redacted]

[redacted] They believe that the French service, rather than acting directly, has been conducting these terrorist acts through other organizations, such as the Binh Xuyen.

A Paris official now in Saigon, who is close to Premier Faure, has been informed of Savanni's activity and may act to effect his removal. The Diem government is taking no steps against Savanni pending possible French action to remove him. [redacted]

Comment: There is other information to suggest that this report may be true.

Such acts would be intended to aid the interests of French elements favoring "coexistence" with the Viet Minh.

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3. Premier Nu opposed Burmese cabinet on US aid issue:

Premier U Nu [redacted]

[redacted] personally had decided against requesting aid from the United States when he was in Washington although the Burmese cabinet had asked him to make appropriate overtures. U Nu also revealed that he was solely responsible for Burma's decision in 1953 to request the cessation of American aid.

Nu feels that at the present stage of international developments neither Ba Swe nor Kyaw Nyein--his possible successors as premier--is capable of filling the post.

[redacted] he now considers himself a world statesman, equal to or surpassing Nehru as the voice of Asia. [redacted]

Comment: U Nu apparently believes that Burma's international position as a neutral is such that a loan from the World Bank is preferable to direct aid from the United States.

U Nu's domestic position is believed to be firm, certainly until the 1956 elections, despite indications of deteriorating relations between him and other government leaders. He will probably try to play an increasingly important role in the solution of East-West problems.

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