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- 2. British chargé at Peiping speculates on Chinese Communist position at Geneva:**

The British chargé believes the Chinese Communists at Geneva will put forth a unification proposal for Korea similar to the Soviet plan for Germany: withdrawal of foreign troops, establishment of a coalition government, and general elections conducted by that government.

The chargé thinks the Chinese will not withdraw their support of the Viet Minh in Indochina and are probably willing to increase their aid considerably if necessary to prevent a Viet Minh defeat.

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Comment: Soviet statements since the Berlin foreign ministers' conference have suggested that the Communist position on the Korean question will resemble the Soviet stand on Germany. It is uncertain whether the Communists are willing to reach a more limited agreement on troop withdrawal alone.

Current comments from Moscow and Peiping suggest that the Communists' position on Indochina will be affected by their judgment as to the determination and unity of the West in countering Chinese aid to the Viet Minh.

SOUTHEAST ASIA

3. French expect major attacks at Dien Bien Phu next week:

[Redacted]

French intelligence in Saigon anticipates a third round of major Viet Minh assaults at Dien Bien Phu on 22 or 23 April, before the Geneva conference, according to Ambassador Heath in Saigon. It is believed the enemy has already replaced his casualties, will probably be able to bring in still more reinforcements, and is now building up his artillery and ammunition supply.

The consulate in Hanoi states that French headquarters there ascertained only on 10 April that a position in Dominique was abandoned by a Thai battalion during the 30-31 March attacks. As of 13 April, this position had not been retaken by the French.

Comment: Viet Minh gains during the second phase of the battle thus total four of the five positions in strong point Dominique and one of the six in Huguette.

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4. Burmese War Office claims proof of American involvement with insurgents:

The American embassy in Rangoon reports that the Burmese War Office has obtained captured documents and photographs which it regards as proof that American military personnel in Thailand are involved in arming the Karen and Mon insurgents in southeastern Burma. The War Office is also convinced, as the result of interrogations of local villagers, that American personnel have freely crossed the border from Thailand during the past ten months and made contact with insurgent leaders.

Some of the documents and photographs have been leaked to the press, but they have not yet been published.

Comment: The Burmese government has suspected the United States and the British of covertly supporting the Karen insurgents since early 1951. Public disclosure of the War Office's "proof" would again damage American prestige in Burma, which has been slowly rising as a result of the partial evacuation of Chinese Nationalist guerrillas.

AUSTRALIA - NEW ZEALAND

5. Readjustment in Australian defense policy announced:

The Australian defense minister announced on 11 April that the RAAF will become the country's major defensive arm and that the size and cost of the regular ground force will be reviewed. He indicated, however, that Australia's present commitments in Korea would prevent a large reduction in the army. The defense minister noted that the trend overseas confirmed the increasing importance of air power.

The American army attaché comments that the regular army and the naval air arm will probably be cut in the next defense budget. He believes the timing of the defense minister's announcement was made with an eye on next month's parliamentary election.

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Comment: A Labor victory next month would probably result in a greater reduction of the defense budget than the present government is planning. Labor spokesmen are in accord, however, with greater stress on air power.

NEAR EAST - AFRICA

6. Ambassador Henderson sees Tehran calm as oil talks begin:

[Redacted]

The Iranian political scene is relatively stable as oil negotiations get under way and as parliament begins to organize, according to Ambassador Henderson in Tehran. The relationship between Prime Minister Zahedi and the shah seems good, despite frequent minor strains, and they both apparently realize they must stick together at least until an oil agreement is approved by parliament.

There are grounds for hope that an agreement can be signed and approved without precipitating a major political controversy, even though Tudeh and Nationalist elements can be expected to make strong attempts to sabotage a final agreement. A more serious threat to the Zahedi government, however, may come from right-wing politicians who are only waiting until responsibility for a settlement is firmly fixed on Zahedi to make their bids for power.

Comment: Consortium and Iranian representatives held their first meeting in Tehran on 14 April. The American member presented the consortium's basic proposal and meetings were adjourned until 17 April.

LATIN AMERICA

7. Chilean president may attempt to rule as dictator:

[Redacted]
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President Ibanez of Chile is "seeking a pretext to close congress" in order to

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govern as a dictator with a military cabinet. General Abdon Parra, present minister of defense, is said to be supporting the president, although he would prefer him to name a military junta. It is reported that the armed forces are strongly with Ibanez.

Comment: Ibanez lacks majority support in either house of the legislature, and his domestic policies have been unsatisfactory compromises which have failed to solve Chile's worsening economic crisis.

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10. Costa Rica threatens appeal to OAS in dispute with Nicaragua:

[redacted]

Costa Rican foreign minister Esquivel informed Ambassador Hill on 13 April that his government was demanding retraction of the unofficial Nicaraguan charges, ascribed to President Somoza, that high Costa Rican officials were involved in the recent plot against Somoza and that Costa Rica is a center of Communism. Esquivel stated that if Nicaragua did not comply by midnight, his government would ask the Organization of American States to investigate the dispute.

The American embassy believes that this action "will create a grave situation."

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Comment: Relations between the two countries have been severely strained since the 3 April assassination attempt against Somoza by persons who entered Nicaragua from Costa Rica. An appeal to the OAS would appear designed to seize the initiative from Nicaragua and to clear Costa Rica of the broad and apparently unfounded charges.

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