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GENERAL**1. Comment on reported future visit by Nehru to Peiping:**

A visit to Peiping by Indian prime minister Nehru, reportedly scheduled to take place in October or November, would provide Communist China with an unusual opportunity for propaganda exploiting Asian solidarity themes and counteracting Western claims that Asian states are threatened by Communist aggression.

The American embassy in New Delhi believes Nehru is suspicious of Peiping's motives, but that he would nevertheless be encouraged to continue a nonalignment policy immediately advantageous to the Communists.

It seems at this time unlikely that significant changes in Sino-Indian relations would result from the visit, although it would probably be hailed publicly, in both India and China, as evidence of friendlier feeling between the two countries.

FAR EAST**2. Japanese foreign minister sees policy toward Orbit unchanged:**

Foreign Minister Okazaki denied

that Japan was planning to modify its policy toward Communist China and the USSR as a result of the Indochina truce. Okazaki stressed the absence of any fundamental change in the Soviet and Chinese Communist policy toward Japan and cited Peiping's seizures of Japanese fishing vessels, its support of the Japan Communist Party, and the existence of the Sino-Soviet Treaty. Okazaki warned against a peace offensive along cultural and economic lines to split Japan from the free world.

Comment: Despite Okazaki's assurances, Japanese leaders are reported impressed with Peiping's new power position as a result of Geneva, and will probably now be more receptive to Peiping's gestures.

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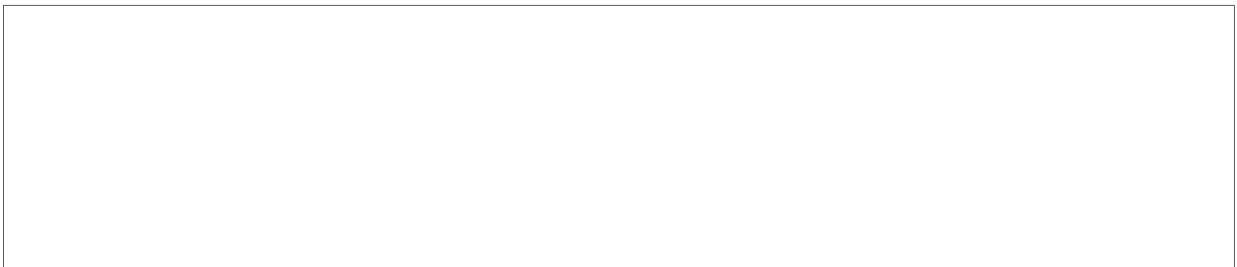


3.



SOUTHEAST ASIA

4.



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5. Burmese defense minister reported negotiating with Communists:

[redacted] The American embassy in Rangoon has been informed [redacted] that an important leader of the insurgent Burma Communist Party who was recently in China is negotiating with Burma's defense leaders, including according to one report Defense Minister Ba Swe. Once a settlement is achieved, the sources allege, the dominant Socialist Party will accept the Communists in a government coalition and Ba Swe will succeed U Nu as premier.

The embassy comments that there is considerable basis for reports that Ba Swe will eventually succeed Nu and believes the Burmese government might be induced to negotiate a settlement with the Communists in the interest of unifying the country. It points out, however, that this would be a complete reversal of present policies.

Comment: During the crisis caused last year by the presence of Chinese Nationalist guerrillas in Burma, the Burmese Communists demanded that they be accepted in a coalition government. Since that time they have not stressed this demand and the government has, at the same time, become more sympathetic to the West.


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Should the Communists decide to reopen this issue, however, they might work for closer relations with Defense Minister Ba Swe, whose views are considerably more leftist than those of other government leaders.

EASTERN EUROPE

6. Bloc petroleum shipments to Bulgaria curtailed as exports to the West expand:



 Bulgarian imports of petroleum products from Rumania, normally the supplier of most of Bulgaria's requirements, have been sharply reduced in

1954. In February, the Soviet trade agency for petroleum refused a Bulgarian request for Rumanian diesel fuel "in spite of original promises."

In the past three months, the Bulgarian importing monopoly has sought more than 45,000 tons of diesel fuel from Egypt, West Germany, France and Italy, in some cases attempting to divert diesel fuel of Rumanian origin before the shipments left Constanta.

Meanwhile bloc shipments to the West have continued to expand. In the first six months of 1954, exports of petroleum products have been considerably more than double the volume of the first half of 1953.

Comment: These developments reflect the key importance of petroleum sales in Western markets in the USSR's effort to pay for its expanding imports from the West. Petroleum products have replaced grain as the chief Soviet export to the West.

While Bulgarian success in acquiring diesel fuel in the West is still uncertain, such transactions would involve

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costs higher than normal procurement through bloc channels. Moreover, unless Bulgaria draws on existing strategic reserves, its inability to obtain the fuel in time or in the quantity required may have an adverse effect on this year's harvest.

WESTERN EUROPE

7. Comment on failure of Brussels conference:

Premier Mendes-France's stubborn stand at Brussels suggests that he intends to ditch EDC, despite assurances given Belgian officials by French Foreign Ministry spokesmen during the course of the conference that his proposals originated as a smoke screen to kill off opposition to the treaty in the French assembly.

Mendes-France told Belgian foreign minister Spaak at the final substantive session of the conference that, subject to a cabinet decision, he would present the treaty to the French assembly on 28 August along with a copy of the concessions the other EDC countries had offered to make, but that he would not ask for a vote of confidence. He told Ambassador Bruce's assistant following this session, however, that he was seriously considering taking the responsibility as head of the government of turning down the EDC treaty completely.

Nevertheless, an outright rebuff by Churchill at the 23 August meeting may incline Mendes-France to present the treaty to the assembly in a favorable light. Moreover, Ambassador Bruce has reported that ex-premier Pinay was seriously canvassing the prospects of rallying a movement to bring the original text of the treaty to a vote.

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