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GENERAL

1. Comment on new Soviet efforts to influence France:

A 24 September Pravda article represents a clear effort to encourage French opposition to agreement on any new formula for German rearmament at the forthcoming London conference. The article may foreshadow additional Orbit diplomatic approaches to France or, [redacted]

[redacted] it may be followed by a new note advocating the Soviet-proposed European collective security system.

Pravda emphasizes that France has an alternative to agreeing with American plans for rearming Germany, that France need not be isolated in the face of a resurrected Wehrmacht, and that it can strengthen its position as a great power. The article recalls the "existence of a French-Soviet treaty to prevent new acts of aggression on the part of German militarism," and mentions the Anglo-Soviet treaty of 1942, the Anglo-French treaty of 1947, and the Potsdam decisions on the German question.

Pravda argues that threats to isolate France bear witness only to the concern of American diplomacy over present French policy and a desire to bring the French back into line. Pravda adds that "without the support of France and England no bilateral US-West German treaty can lead to a fundamental change in European policies!" [redacted]

FAR EAST

2. South Koreans plan anti-American general strike for 28 September:

[redacted]
The South Korean National Assembly's Committee for Opposing American Redeployment has instructed leaders of the

Federation of Korean Trade Unions to stage a 24-hour nationwide general strike on 28 September as a demonstration of popular opposition to American troop withdrawals, according to reports reaching the American embassy in Seoul.

The assembly committee has reportedly made funds available to the Federation of Trade Unions and to other government-controlled social and patriotic organizations for support of demonstrations protesting American withdrawals.

Comment: The general strike would be the most ambitious step to date in President Rhee's program to promote tensions between South Korea and the United States. In this artificially created atmosphere Rhee is attempting to generate pressure to support his demands that the United States, in effect, make South Korea the foundation of its strategic position in the western Pacific.

Although there is genuine concern on the part of most Koreans over redeployment, the American embassy reports that there is a developing awareness among some thoughtful Koreans that Rhee's current anti-American campaign is working against the interests of the nation. which requires American friendship and aid.

3. Comment on Chou En-lai's report to Peiping National Congress:

Chinese Communist premier Chou En-lai's report to the National People's Congress in Peiping on 23 September

confirms the regime's intention to establish closer relations with governments which recognize it and to make new overtures for recognition.

Chou suggested that understandings on nonaggression might be reached with Indonesia, Pakistan and Ceylon on the basis of the five principles which he himself and the Indian and Burmese premiers affirmed last June. He hinted again at the possibility of an all-Asian security pact.

Chou revealed that negotiations for improving relations with Norway and the Netherlands are under way and that contacts are being made for establishing diplomatic

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relations with Afghanistan and Israel. He said that Peiping is prepared to establish relations with Nepal, offered Laos and Cambodia "the possibility" of relations with Peiping, and added that normal relations might be established with Thailand and the Philippines.

Chou denounced American support of Nationalist China and said that the American Seventh Fleet "must withdraw," but he did not assert, as reported by the Western press, that the fleet must be "driven out." He made no direct reference to American policy as regards the Chinese offshore islands.

In the economic field, Chou released data which indicate that Communist China's industrial progress may have been underestimated up to now. The industrial output figures cited by Chou are the first important absolute figures for industrial output in all of China to be released by the regime.

Chou also disclosed that the regime plans to move rapidly toward collectivization. He said that by 1957, the last year of the first five-year plan, more than half of China's peasants--as compared with 2 percent as at present--were expected to be in agricultural producers co-operatives.

SOUTH ASIA

4. Comment on outcome of Nehru-Sastroamidjojo talks in New Delhi:

The communique issued by Indian prime minister Nehru and Indonesian prime minister Ali Sastroamidjojo on 25 September at the close of their talks in New Delhi, describing their agreement to hold both a Colombo powers conference and a larger Asian-African meeting, discloses an obvious compromise which probably pleases neither of them.

Nehru presumably discouraged ambitious Indonesian plans for an Asian-African conference, knowing the lack of interest shown in it by many Asian nations and the

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impossibility of its achieving anything significant with or without Chinese attendance.

On the other hand, Nehru agreed to another meeting of the Colombo powers to be held in Djakarta, despite his probable recognition that the pro-Western orientation of Pakistan and the neutral attitude of Burma and Ceylon toward the Manila pact would continue to prevent India and Indonesia from developing any solidarity of thought.

Since the ideas of both men evidently are still nebulous, the prospects for an early Colombo powers conference are dim and those for the Asian-African one even dimmer.

EASTERN EUROPE

5. Comment on transfer of Soviet-Rumanian companies to Rumanian ownership:

Moscow's announcement on 25 September of the transfer of 12 Soviet-Rumanian joint companies to Rumanian ownership

made no mention of the two companies most important to the Soviet economy. These are the Soviet-Rumanian companies for the production of petroleum and uranium. The joint companies for insurance and for printing and publishing were also not mentioned.

The USSR is to be reimbursed for its share in the 12 companies "over a number of years," but Rumania will exercise direct management of day to day operations immediately. The USSR, however, retains general control over the Rumanian economy through government and party channels and through Soviet personnel in key advisory positions.

In cutting back its apparatus for overt control of Rumanian industrial establishments, the Soviet Union is seeking to strengthen the appearance of Rumanian sovereignty. It is likely, therefore, that some Russian personnel will be

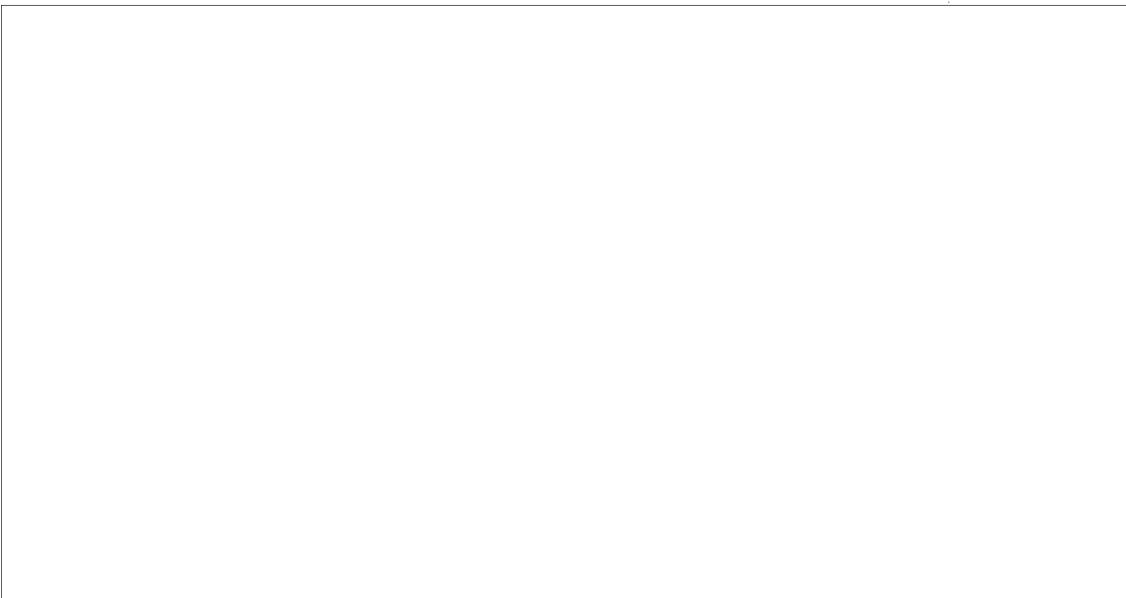
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recalled in a move similar to the current withdrawals reported underway in Hungary. This Soviet policy is now practical in Rumania both because a sizable number of politically reliable Rumanian managers and technicians have been trained since the war and because Soviet control of the Rumanian government has improved.

The announcement supports recent rumors that the USSR is preparing to return some joint companies to Hungary. Last January, the Soviet Union returned to East Germany all Soviet-held companies except the important uranium enterprise.

WESTERN EUROPE

6. Italians ready to accept Trieste territorial compromise:



Comment: The agreement on territory will remove the last major obstacle to an overall Trieste settlement, though some minor details have still to be worked out. Premier Scelba will have an easier time winning over public and parliamentary opinion to accept the settlement if only a minimum of land inhabited by Italians comes under Yugoslav rule.

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8. Mendes-France to insist on his own German rearmament plan at London:

Premier Mendes-France told Ambassador Dillon and Deputy Undersecretary of State Murphy on 24 September that the Eden proposals for rearming Germany stood no chance of approval by the French National Assembly because the proposals created no European organization.

His plan, however, used the Brussels treaty of 1948 as the basis for a new European organization and therefore stood a good chance of acceptance.

Mendes-France said that he had reluctantly agreed to admit Bonn to NATO at the same time an agreement setting up the proposed new European organization goes into effect but that his plan for the new organization would have to be presented to the assembly along with West German entry into NATO.

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A Saar settlement would be a precondition to any French agreement on German sovereignty or rearmament, and French-German negotiations on this point would take place concurrently with the drafting of an agreement to be reached at the London talks. Mendes-France thought that "with good will" this problem could be ironed out in a few days.

Comment: Luxembourg foreign minister Bech told American minister Buchanan in Luxembourg on 24 September that the London conference would succeed unless Mendes-France insisted on a Saar solution before he would agree to submit German rearmament proposals to the French assembly. American ambassadors Dillon and Bruce are convinced, however, that Mendes-France will use the same tactics at London as he did at Brussels.

The French and German positions on the Saar are now further apart than they were when the Teitgen-Adenauer agreement of late May was signed. Renegotiation of another agreement would run into insuperable difficulties in Germany, because domestic political considerations make it impossible for Chancellor Adenauer to yield further on the Saar.