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FAR EAST

1. South Korea places embargo on Japanese products:

South Korea, apparently on direct orders from President Rhee, has imposed a virtually complete embargo on imports from Japan, according to Ambassador Briggs.

Korean officials assert that the primary reason is the need for freeing the nation from economic dependence on Japan, but Briggs believes that Rhee is also motivated by a belief that Japan is attempting to influence the elections on 20 May.

Restrictions were progressively applied to expenditure of South Korea's own foreign exchange holdings during March, and have now been extended to the use of American FOA funds to pay for imports of Japanese cotton cloth.

Comment: Rhee may be testing the American reaction to a South Korean attempt to control the source of supply of goods purchased with American funds.

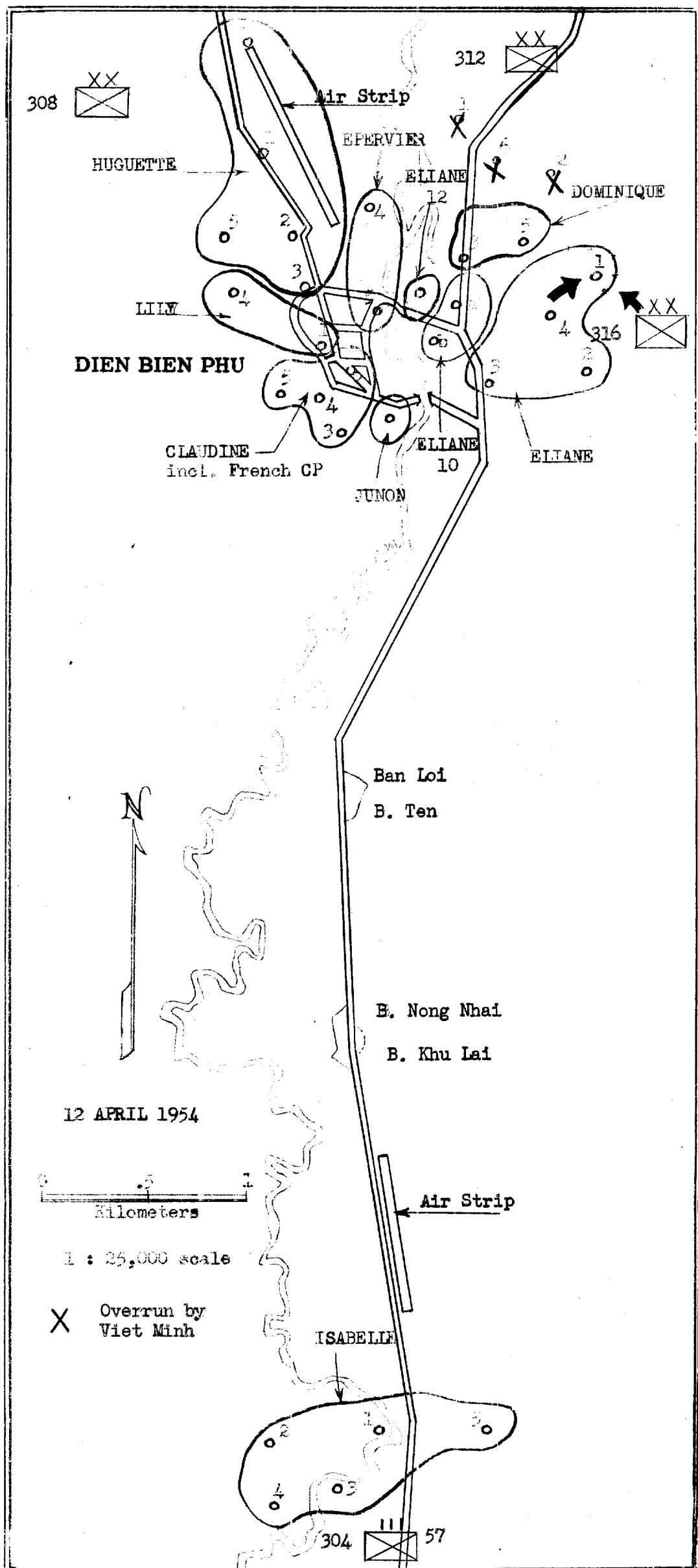
Rhee's unilateral action violates basic American legislation requiring that aid funds be spent in markets where goods can be purchased most advantageously. It is further contrary to an American-South Korean agreement providing for joint consultation on use of South Korean foreign exchange holdings.

SOUTHEAST ASIA

2. Dien Bien Phu position retaken by French will be difficult to hold:

Dien Bien Phu position Eliane 1, which the French retook on 10 April, has been the object of sharp attacks and counter-attacks during the past two days (see map, p. 4). At 1700 on 12 April, the French

still held the position, but the American army attaché in Saigon believes it will be difficult to hold indefinitely. Eliane 1 affords a close-in view of most of the northern defense positions, but is dominated by Dominique 2, which is held by the Viet Minh.



[redacted] indications that the Chinese Communists are planning to supply the Viet Minh with 105mm recoilless rifles and with rocket launchers for use at Dien Bien Phu.

NEAR EAST - AFRICA

3. Saudi king may not renew Dhahran Air Base Agreement:

[redacted]

Comment: The Dhahran agreement is operative until June 1956 and is scheduled to continue thereafter for five more years unless six months' notice is given by either country of an intention to terminate or modify the agreement.

This is the first indication that Saud, who has been king only since last November, does not plan to renew the agreement. As yet the Saudi government has not intimated its intentions on the matter.

WESTERN EUROPE

4. Monnet's tenure as CSC president seen threatened:

[redacted] Jean Monnet is "on his way out" as president of the High Authority of the European Coal-Steel Community, [redacted]

[redacted] told an American embassy official in Rome on 7 April that Monnet is "completely opposed" by the French government, and his capabilities are now being questioned by West Germans. He added that Monnet has lost his former drive.

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Comment: The High Authority president is selected by the six CSC member governments for a two-year term. Although opposition to Monnet's policies has increased somewhat in recent months, his chances for re-election this summer still appear good.

Monnet, who has in large part been personally responsible for the achievements of the CSC thus far, is currently in Washington negotiating for a substantial loan to the community.