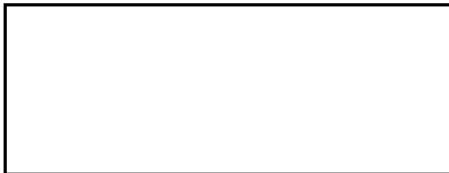


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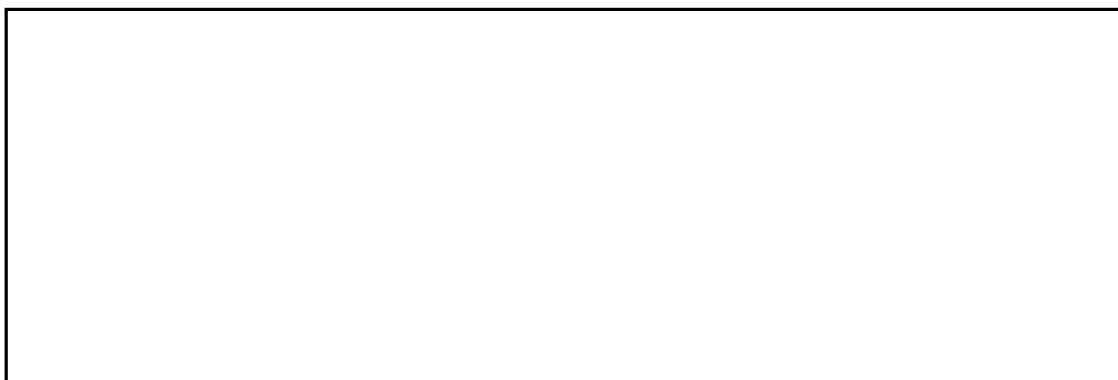
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2. PRESSURE GROWING FOR REDUCTION OF CHINA TRADE CONTROLS

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"Very few" COCOM members are inclined to support retention of the present strict controls over trade with the Communist Far East, according to the American COCOM

delegation in Paris. The French proposal to reduce controls on trade with the Communist Far East to the level of restrictions against the Soviet bloc is likely to receive strong support from Japan, Denmark, and Portugal. Belgium, the Netherlands, Luxembourg, Norway, and Italy would probably continue to favor reduction of controls.

Turkey, probably Greece, and possibly Canada can be expected to follow the American lead to maintain the status quo. Britain and West Germany clearly favor reduction, but it is not clear how far they will go in the face of American opposition.

Comment

Barring a Far Eastern crisis, it appears likely that a strong initiative to abolish or reduce the China differential will dominate the COCOM Consultative Group meeting later this year. One effect of such a reduction would be to vitiate the UN resolution of May 1951 prohibiting strategic trade with Communist China and North Korea. This resolution is based directly on the UN resolution of February 1951 declaring Communist China an aggressor. The latter resolution is a major obstacle to consideration of Peiping's membership in the UN.

The British and French are already pressing for re-examination of controls on trade with the entire Sino-Soviet bloc as a matter of urgency and regardless of the outcome of any international conference.
(Concurred in by ORR)

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3. CANADA FAVORS EARLY RECOGNITION OF CHINESE COMMUNIST REGIME

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[Redacted] Canadian external affairs minister Pearson has informed the United States embassy in Ottawa that the Canadian government strongly be-

lieves the Peiping regime should be recognized "sooner rather than later," possibly in a year. He said the action should be taken, if only to obtain first-hand information from Peiping.

Canada has no intention of pressing for the admission of Communist China to the UN now, Pearson indicated, and will probably support the United States' position at the forthcoming General Assembly session. He said his own recent public statement favoring admission of Peiping was a trial balloon.

Comment

Canada has tended to favor establishment of relations with the Chinese Communists since early 1953. Pearson's remarks suggest that Canada finds no substantial reasons for further delay but will be guided as to timing by the views of Britain and other countries whose general attitude it shares.

Canada has indicated that it would support a Belgian proposal to establish a UN study commission on the Chinese representation issue.

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6. COMMENT ON ANTI-GREEK RIOTING IN TURKEY

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The rioting in Istanbul and Izmir on 6 September indicates that the wide breach which has developed in recent months between Greece and Turkey at the diplomatic level has spread to the general public.

The riots were apparently spontaneous, but the Ankara government is searching for evidence of Communist involvement. According to observations by the American consul general in Istanbul, the police stood idly by or cheered the mob which was looting shops. Only later did troops supported with tanks restore order.

Popular emotions now running high in both Greece and Turkey will probably be sharply controlled by the two governments. In relations between the countries, however, antagonisms which have been created by the Cyprus issue will increase mutual recriminations over other issues and seriously reduce area defense co-operation.

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BIWEEKLY SUMMARY
(25 August-7 September 1955)

THE FORMOSA STRAITS

**Report of the IAC Current Intelligence Group
for the Formosa Straits Problem**

1. Military activity in the area was extremely quiet apart from increased artillery shelling begun on 2 September by the Chinese Nationalists. The shelling rose to a high on 4 September, when the Communists fired 253 rounds and the Nationalists fired 1,358. The situation returned to normal on 6 September. This activity is not believed to signify any impending attack by the Communists.

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3. Another Chinese Communist railway engineer division (the Fifth Railway Engineer Division) has been identified and located in Fukien Province. This makes a total of six such divisions now accepted as engaged in construction of the projected railway that will connect Amoy with the main trunk line south of the Yangtze River.

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5. Peiping continued to devote only perfunctory attention to the Formosa Strait question during the past two weeks. However, the tone of Peiping propaganda dealing with US policies in Asia became more critical than it had been during the early weeks of the talks at Geneva between US and Chinese Communist representatives.

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