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1. THE TAIWAN SITUATION

Comment on:

Calm continues on Taiwan with martial law in effect in the four major cities. Local security authorities in Taichung canceled a parade protesting the acquittal decision in the Reynolds case.

The official Central News Agency has demanded editorially that the government reconsider the "diplomatic immunity" given to American military personnel on Taiwan.

[redacted] the police have "complete evidence" that three of ten persons arrested at the scene of the embassy riot are "Communists!" He added that the "files" of 75 others arrested during the riots reveal "Communist backgrounds." [redacted] this claim of Communist involvement is "almost inevitable" and without basis.

In the Philippines, a small number of Chinese "hotheads" reportedly met on the night of 25 May to organize a demonstration against local American installations. No demonstration took place, however, and it is not believed the local Kuomintang approved of the plan.

In Bangkok, the newspaper controlled by Minister of Defense Sarit, in commenting on the Taipei riots, warned the government against the danger of allowing more American military personnel into Thailand.

A Japanese court is continuing proceedings to try an American serviceman charged with accidentally killing a Japanese woman on the rifle range, who is still in American custody. [redacted]

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2. JAPAN SEEKS COMPROMISE BETWEEN US AND BRITISH POSITIONS ON CHINA TRADE CONTROLS

The Japanese

[redacted] government to "make every effort possible" to discover some points of compromise between the American and British positions on China trade controls. [redacted]

[redacted] Japan was prepared, if necessary, to call a Consultative Group meeting to forestall a reported British plan to abolish unilaterally the China differential trade controls. If Britain went ahead with its plan, the final Japanese decision would have to await Prime Minister Kishi's return from a Southeast Asian tour on 4 June.

Comment

The China Committee has been unable to work out a plan for trade controls acceptable to all participating countries, and the Macmillan government reportedly was drafting a statement for delivery in Parliament this week announcing that Britain would unilaterally abolish the differential trade controls.

Japan is eager to obtain China Committee agreement on modified controls which would satisfy Japanese domestic demands for increased trade with China and still not jeopardize relations with the United States, especially now that Kishi is about to visit Washington. [redacted]

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3. GUATEMALAN PRESIDENT REPORTEDLY ENCOURAGING REVOLT ATTEMPT TO ELIMINATE OPPONENTS

In an effort to expose opposition elements in Guatemala, President Castillo Armas,

[redacted] is covertly encouraging Guatemalan exiles in Mexico to prepare a revolt against his government on 25 June. Castillo [redacted] was even providing the exiles with limited quantities of weapons and was being kept advised as to their plans. He believes the revolt attempt, which he expects to control, will give him the opportunity to "eradicate" his political opposition.

[redacted] Colonel Enrique Oliva, a close army associate, is involved in the plotting. [redacted]

Comment

In the past, Castillo has used real or manufactured plots against his regime to justify action against his opponents and others not in his trust. Recent reports allege that Colonel Oliva and other high officers are plotting against Castillo. It is possible, however, that these officers, who have long been considered loyal to the president, are either acting as decoys to attract true opponents of the regime, or are the victims of a campaign to discredit them by ambitious colleagues. [redacted]

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4. PLAN REPORTED TO OVERTHROW LAOTIAN PREMIER

Comment on:

Deputy Premier Katay and Independent Party leader Phoui Sananikone plan to overthrow Laotian premier Souvanna Phouma and install a government with Katay as premier and Phoui as his deputy, [redacted]

[redacted] They have effected a rapprochement which will lead to a coalition of Nationalist and Independent Party members in the National Assembly. They are counting on approximately 20 votes in the 39-man assembly and hope to enlist additional support.

Reconciliation of differences between these two leaders could alter, at least for the immediate future, the drift of their country toward accommodation with the Communist Pathet Lao. Souvanna Phouma is now before the assembly in an attempt to push through a coalition with the Pathets under terms reported to be of considerable advantage to the Communists.

The efficacy of a Katay-Phoui coalition would appear to depend not only on the success of the two men in keeping bitter personal rivalries buried but also on Souvanna's skill in presenting his case to the assembly. In this connection, press reports state that Souvanna on 27 May read to the assembly a letter from Pathet Lao chief Souphanouvong promising to turn over to the royal government his army and the two disputed northern provinces immediately after the formation of a coalition government. Souvanna's reiteration of Pathet "guarantees" may have been prompted in part by his growing awareness of efforts by Katay and Phoui to prevent such a settlement. [redacted]

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5. GREECE TO PRESS FOR GUARANTEED INDEPENDENCE FOR CYPRUS

[Redacted]

Greek prime minister Karamanlis has decided to press for independence for Cyprus under a 20-year guarantee, according to Ambassador Allen in Athens.

Karamanlis hopes NATO's Secretary General Spaak will explore this proposal in NATO capitals soon. If a solution on this basis cannot be achieved, Greece will present the issue again to the UN.

While Greece would base its UN application on self-determination, Karamanlis plans to have a group of other delegations present a resolution calling for independence under a 20-year guarantee. Foreign Minister Averoff believes such a resolution could win a two-thirds majority in the General Assembly unless the United States actively opposed it.

Comment

Karamanlis is evidently impatient with the absence of any British moves to break the Cyprus stalemate and also fears a resumption of violence on the island if some progress is not apparent soon. Averoff told Ambassador Allen on 25 May that Archbishop Makarios would go to London now to seek talks with British officials but fears that EOKA extremists would renew violence in order to wreck his efforts.

Turkey will almost certainly reject the independence proposal, and the British, while favoring the idea in principle, will be reluctant to endorse it for fear of antagonizing Ankara.

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