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GENERAL

1. India and Ceylon favor Communist participation in Japanese peace treaty negotiations:

According to various diplomatic sources, India and Ceylon feel that, in order to ensure a lasting settlement, every effort should be made to obtain Soviet and Communist Chinese participation in Japanese peace treaty negotiations. India is opposed to Japanese rearmament, believing that Japan's security should be guaranteed by the UN. On the other hand, Ceylon thinks that Japan, as a sovereign nation, has the right to look to its self-defense individually as well as collectively. Both countries are opposed to any treatment which will leave bitterness amongst the Japanese,

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and neither objects to the development of normal Japanese commercial relations.

2. Comments by US Embassy Moscow on Soviet note concerning Japanese peace treaty:

The US Embassy in Moscow believes that the Soviet Foreign Office felt obliged to come forth with comment in response to the draft Japanese peace treaty presented by the US

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on 29 March. The timing of the Soviet note is largely due, in the Embassy's opinion, to a desire to place the USSR's position on record before further developments occur. The Embassy considers that (a) the Soviet demand for a Four-Power Council of Foreign Ministers in June or July may be designed to "keep the Council of Foreign Ministers hot boiling for propaganda purposes" in anticipation of a possible failure of the Paris negotiations, and (b) the omission of France from the proposed meeting is noteworthy. Of the five specific proposals concerning the peace treaty contained in the note, two are devoted to the Japanese

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economy and trade. The Embassy feels that aside from the propaganda aspects of these proposals, it is also possible that the USSR, consciously or unconsciously, is betraying its concern over the economic situation of Red China if traditional Japanese economic relationships in Asia are not re-established.

Comment: Although in the past the Soviet position regarding the inclusion of France in a Council of Foreign Ministers on a Japanese peace treaty has been ambiguous, it appears that the USSR has never specifically proposed that France should join the US, USSR, Great Britain and China in drafting the treaty. On the other hand, the USSR has on several occasions made specific references to the other four powers in this regard. Its latest note makes it clear that the Soviet Union believes France is not entitled to a major role in the preparation of the peace treaty on the grounds that it did not formally declare war on Japan and was not a signatory of the Japanese surrender document. (A Free French representative actually signed the surrender document).

3. Comment on recent developments regarding Soviet and American wheat for India:

According to the New Delhi radio, Prime Minister Nehru told an applauding Parliament on 10 May that Soviet vessels were already on their way to India with the first shipments of a total of 50,000 tons of wheat recently purchased from the USSR for cash. Deliveries of the full amount were to be completed by the end of June. At the same time, Nehru announced to Parliament that, in his opinion, the two food bills now before the US Congress had no political or discriminatory conditions attached to them and that "on these grounds" there should be no objection to accepting either of them. He added that he preferred the terms of the House bill because they were simpler.

Strong representations were necessary to get Nehru to make the above statement on the US food bills. It is noteworthy that, in making the statement, Nehru maintained his independence

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of US favors by supporting the House bill, which provides wheat to India solely on a loan basis. The final terms of a US loan may be the determining factor governing an Indian decision to accept US or Communist offers.

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3.3(h)(2)**5. Communist China seeks rubber from Indonesia:**

The Government of Indonesia is considering Communist China's offer to purchase 50,000 tons of rubber. In conversations with the

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US Ambassador in Djakarta, Indonesian Foreign Minister Subardjo stated that the Chinese were offering rice and tungsten in payment for the rubber.

Comment: This approach to Indonesia, together with a similar offer to Ceylon, is testimony to the strong efforts of the Chinese Communists to find new sources of rubber supplies as an alternative to Malayan supplies. In view of Indonesia's declared willingness to sell rubber to Orbit as well as non-Orbit countries, Indonesia is more likely to accept the Chinese Communist offer than Ceylon. In any case, Indonesia lacks the administrative machinery to prevent Orbit purchases of privately-owned rubber, which constitutes the overwhelming bulk of its rubber output.

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6. Iran rejects UK request for arbitration of oil issue:

The UK request to Iran for arbitration of the oil issue was formally rejected by the Iranian Ambassador in London on 8 May. He informed the British Foreign Office that Iran will proceed with its oil nationalization program and will not submit to international arbitration.

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According to the UK Embassy in Tehran, the Anglo-Iranian Oil Company's demand for arbitration was inspired by a message from the Shah indicating that Iranian Prime Minister Mossadeq would welcome such a demand because it would enable him to procrastinate. Mossadeq is understood, however, to have expressed astonishment at the demand for arbitration.

Comment: Mossadeq's rejection of the UK demand for arbitration is consistent with his previous stand. It was probably conditioned by the consideration that Iran could not accept arbitration under the terms of the 1933 concession and still maintain that the concession was invalid. Whether the UK action was taken at the Shah's instigation or not, it will probably have the effect of forcing

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Mossadeq to delineate his plans on the oil issue more clearly. To date, he has indicated that he will not take drastic action immediately and that he intends eventually to replace Anglo-Iranian Oil Company technicians with Iranians.

7. Syria appeals to Egypt for aid in Syrian-Israeli border dispute:

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[Redacted] US Ambassador Caffery in Cairo has been informed by the Egyptian Foreign Minister that Syria has appealed to Egypt for aid in connection with the current Syrian-Israeli border troubles, and that Egypt is "on the spot" and must do something about the appeal. The Foreign Minister stated that since the UN is not taken seriously in his part of the world, he was requesting Ambassador Caffery to submit an urgent appeal to the US to take some positive action. The Foreign Minister indicated that he was taking the matter up personally with Caffery so as not "to throw monkey wrenches into the machinery."

Comment: The type of aid Syria has requested from Egypt is not defined. Syria would logically turn to Egypt, the most influential of the Arab countries, since Egypt has long supported an independent Syria against proposals for incorporating it with Iraq and Jordan.

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[Redacted] The serious concern felt by the Arab States generally over the current Syrian-Israeli border incidents is underlined by the fact that a special meeting of the Arab League Political Committee is scheduled to meet in Damascus on 14 May to discuss the border situation.

8. Some improvement noted in Egypt's attitude toward Anglo-Egyptian defense issue:

The US Ambassador in Cairo reports that the situation involving the Anglo-Egyptian treaty negotiations has taken "a momentary turn for

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the better." Egyptian Foreign Minister Salaheddin recently told the US Ambassador that if the forthcoming British reply allows Egypt "to save some face," the Egyptian public will be told that the door to further discussions is still open and Salaheddin will then go to London for subsequent negotiations. Salaheddin indicated that Egypt would be prepared for discussions throughout the summer but that if no progress had been made by November, Egypt would denounce the 1936 Treaty. The US Ambassador believes that the King's desire to prevent a breakdown in negotiations at this time is the main reason for the present change in the Egyptian attitude toward the treaty problem.

Comment: King Farouk's opposition to a break in Anglo-Egyptian treaty discussions, coupled with Salaheddin's more moderate attitude toward the defense problem, should help considerably in bringing about a continuation of the talks. Nevertheless, a wide gap remains between British and Egyptian thinking on the defense issue.

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WESTERN EUROPE

10. French Communists reportedly prepare new strike wave:

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 a widespread strike movement will probably be unleashed following the Congress of the General Workers' Confederation

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at the end of May. Although this renewed strike activity is planned as part of the electoral campaign, the Communist Party expects to pursue the strikes primarily within the framework of economic demands, with such political tie-ins as conditions warrant. The predominance of economic over political slogans was particularly noticeable at this year's Communist May Day demonstration in Paris. Intensified French Communist propaganda at the plant level in support of both economic and political objectives has been making progress since the Easter strikes, and several well-informed non-Communist labor leaders have affirmed that a concentrated "unity of action" program on "exclusively worker demands" would force the Socialist and Christian industrial unions to cooperate or lose their following.

Comment: A new round of wage demands is to be expected soon, because the steady rise in the price level is rapidly nullifying benefits gained by the March strikes. The Communists seem, however, to have picked June for fomenting new strikes with an eye to political rather than to economic aims, since the pre-election government will not be in a position to commit its successor to a new wage program. Should the Communists give the strikes a too pronounced political coloring, however, labor's readiness to cooperate would be

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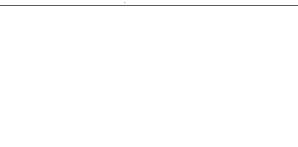
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sharply checked because of its wariness of being exploited by the French Communist Party.

*Franklin
G. Meier*

11. Schuman Plan ratification delayed by French political situation:



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According to the US Embassy in Paris, although the bill for French ratification of the Schuman Plan was submitted to the Cabinet on 9 May prior to presentation to the National

Assembly at the end of this week, parliamentary action will be postponed until sometime after the June elections and the organization of the new Parliament -- that is, until at least mid-August. The delegates of the six participating countries have informally exchanged ratification documents, but the submission of the Schuman Plan to the German Bundestag in early June is doubtful in view of the delay in French action. The Netherlands plans ratification before the end of Parliament's session on 20 July; the ratifications of the other Benelux countries are being held up by technical difficulties. As yet, the Embassy has received no indication of the action to be taken by Italy.

Comment: The opposition in France can be expected to pose a serious threat regardless of the composition of the next Assembly. German ratification now appears probable in view of recent trade union approval of the Plan and the failure of the Socialists to gain appreciably in recent provincial elections. However, undue delay elsewhere may prejudice the present favorable outlook in Germany.

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