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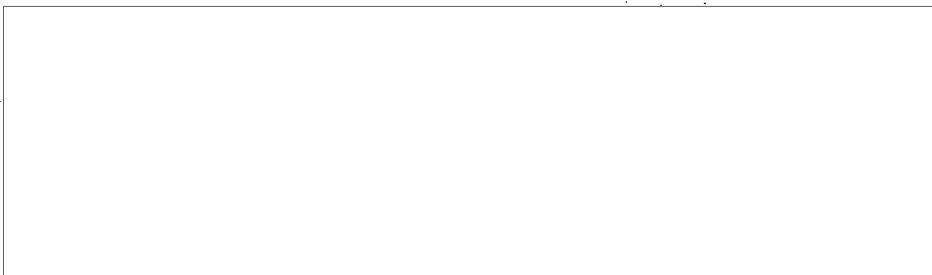
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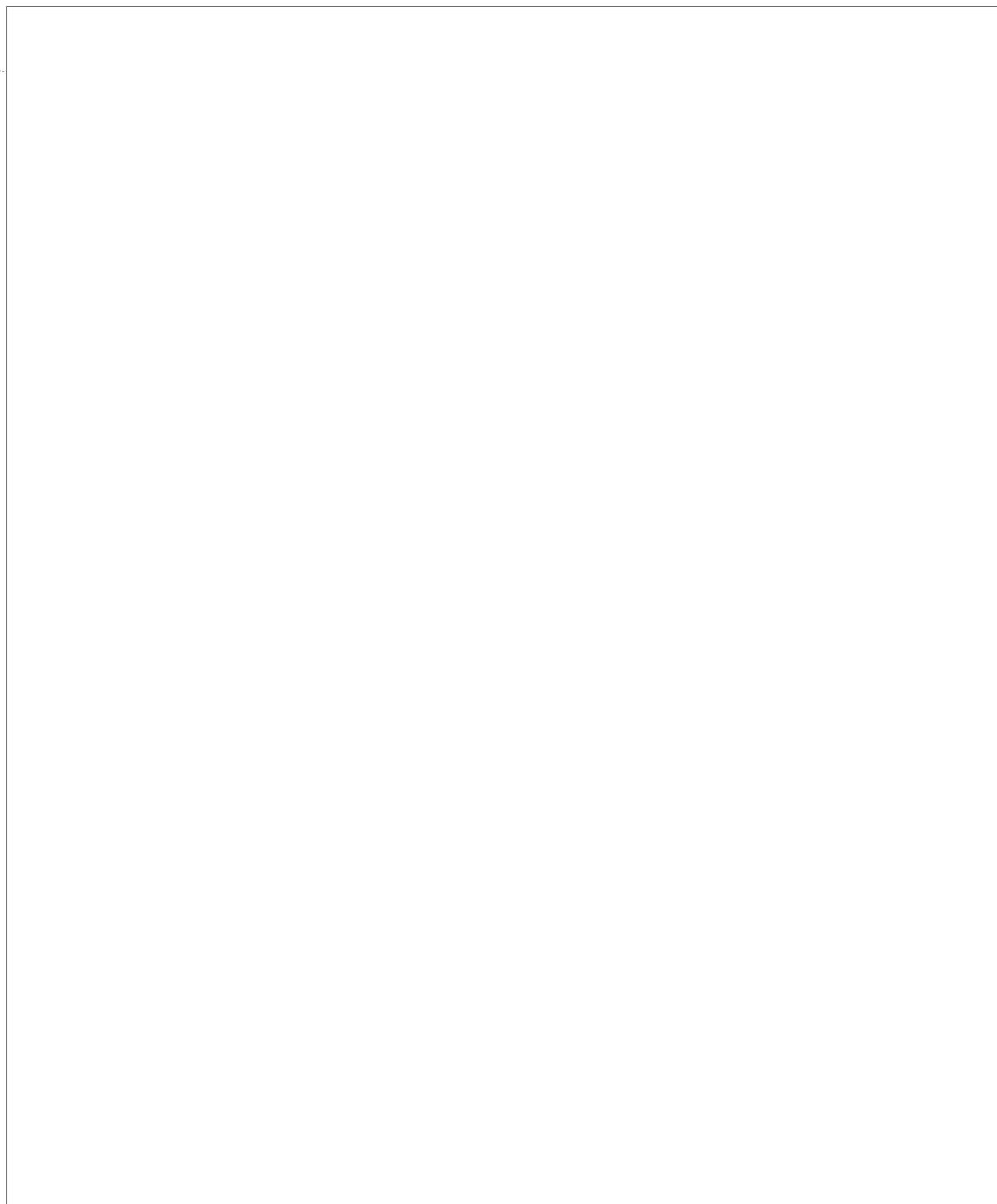
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4. SOUTH KOREAN ARMY CHIEF CRITICAL OF COUNTRY'S POLITICAL LEADERSHIP

South Korean army chief of staff Chong Il-kwon told Under Secretary Hoover during a briefing on 7 October that the South Korean military establishment pledges its co-operation and complete loyalty to the United States. Chong later told an American embassy official that his remarks were intended to convey a sincere pledge of the army's loyalty "in contrast to the attitude of the politicians which was damaging South Korean-US relations."

In earlier talks between President Rhee and Hoover, the president did not raise any substantive issues. Shortly thereafter, however, inflammatory articles directed against the United States appeared in Rhee's own newspaper.

Comment

Chong, who asserts that 14 of the 20 division commanders are his followers, has expressed his determination on several occasions to block any irrational military action by Rhee.

Chong's attempt to develop status as the United States' most reliable supporter in South Korea reflects his growing political ambition and his determination to develop powerful American support for his future moves. Chong's term as chief of staff expires in February 1956, and he may wish to assure himself of American backing for another term in what he considers the country's key position.

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~~TOP SECRET~~**5. JAPANESE EXPORT CREDITS TO BURMA MAY OBLIVIATE
NEED FOR US AID**

The Japanese embassy in Rangoon has indicated that negotiations for a short-term Japanese loan to Burma, in the form of export credits amounting to approximately \$12,000,000, are about to be concluded. The American embassy comments that this loan, together with the recent Indian agreement to provide credits amounting to \$40,000,000, slightly exceeds the immediate foreign exchange requirements of the Burmese government. Rangoon may, therefore, for political reasons terminate negotiations for American assistance.

Comment

Rangoon, even without the Japanese loan, was seriously considering withdrawing its application for American assistance unless it could be obtained without adherence to the provisions of the Battle Act. The Burmese believe the limitations required on their trade with the Communist bloc would compromise their policy of neutrality. Premier Nu was reluctant in the first place to request aid from the United States because he felt that as a result of such a request he would no longer be in a position to mediate between Peiping and Washington.

Chinese Communist premier Chou En-lai was seeking to impress the Burmese commander in chief, who recently visited Peiping, with the idea that Burma's trade with China was a valuable asset in helping to meet its foreign exchange problem.

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