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~~TOP SECRET~~**GENERAL****1.****2. Chinese make first trade approach to West at Geneva:**

Lei Jen-min, vice minister of foreign trade and member of the Chinese Communist delegation at Geneva, has arranged a meeting with the Italian Foreign Ministry observer there. This is the first known Chinese trade approach at Geneva.

The American delegation observes that the presence of two trade officials in the Chinese Communist delegation seems to indicate that it plans to talk trade on the side if not to introduce the subject of a relaxation of trade controls during the conference.

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Comment: Lei Jen-min is vice minister for trade with non-Communist countries. The other trade official in the Chinese delegation is the head of Peiping's trade agency in Berlin, which negotiates all contracts between Peiping and Western European traders. The delegation may have come to negotiate specific contracts, and is expected to make more approaches for trade with the West.

FAR EAST

3.

SOUTHEAST ASIA**4. Comment on fall of Dien Bien Phu:**

The French have lost approximately 16,000 men in the fighting at Dien Bien Phu, a large proportion of them first-quality colonial and Foreign Legion troops. The Viet Minh's casualties are estimated at more than 18,000 killed and wounded.

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With the fall of the position, the Viet Minh battle corps is expected to return to the Tonkin delta area. Some units could cover this distance--approximately 200 miles--in two or three weeks, but about two months would be required for re-deployment of the bulk of the forces.

The fall of Dien Bien Phu may be the signal for an all-out effort by the over 75,000 Viet Minh troops already within or near the delta, which could be supplemented by units returning from the northwest. The rains will not seriously hamper military activity there for another six weeks. French Union forces in the delta number 190,000, most of which are tied down in static defense duties.

French morale and prestige have suffered a blow, but the widespread expectation that Dien Bien Phu could not hold out--as well as the vote of confidence the government received on 6 May--makes the overthrow of Laniel on this issue unlikely. The end of the Dien Bien Phu crisis may reduce the emotional pressure for an immediate cease-fire, though not for a negotiated settlement. Viet Minh successes in the delta would, however, create new and stronger pressure for a cease-fire, which might result in the abandonment of the French government's demand for adequate controls during an armistice.

5. Viet Minh 37mm AA guns reported north of Tonkin delta:

[Redacted]

The Viet Minh is reported to have an unspecified number of 37mm AA guns at a point 35 miles north-northeast of Hanoi, near the Tonkin delta perimeter, according to the American army attaché in Saigon.

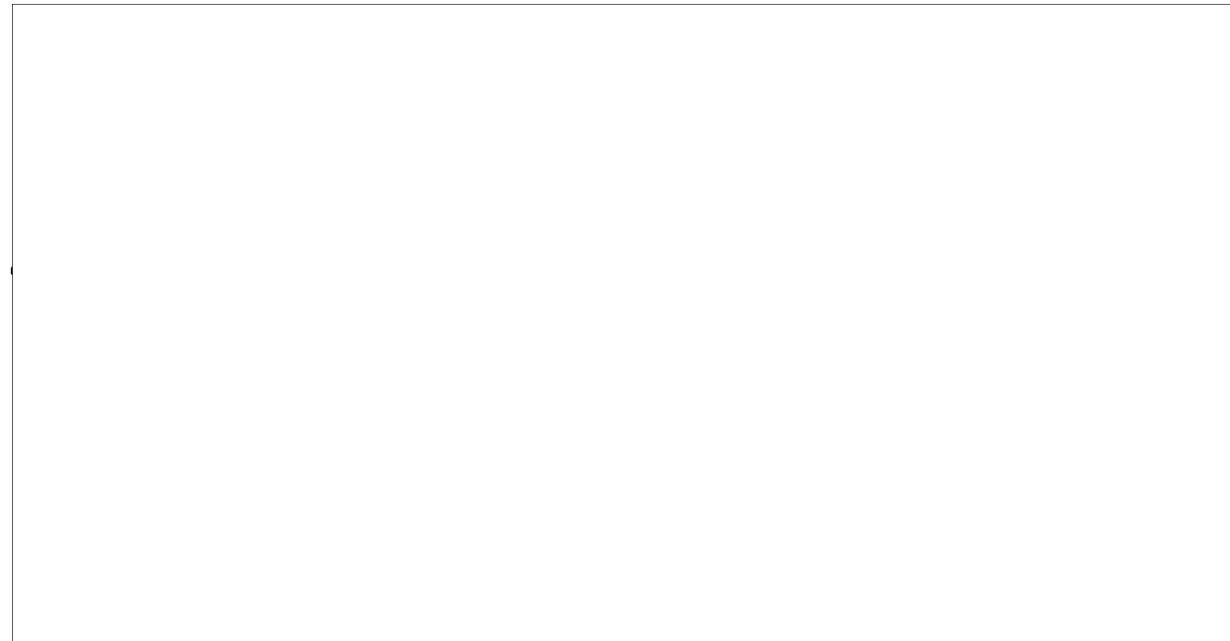
Others are said to be in position along a major Viet Minh supply route running from the China border toward the delta.

Comment: The only positive identification of Viet Minh 37mm pieces has been at Dien Bien Phu. Their appearance north of the delta would indicate an additional capability to protect the supply lines from China to their major base area.

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6.



EASTERN EUROPE

7. Trial of Ana Pauker may be imminent:

Ana Pauker, purged Rumanian Communist leader, will be tried before 23 August as part of a general "cleaning up of loose ends" by the regime before the party congress,

according to rumors [redacted]

One

of the charges against her will reportedly be that of aiding Zionism.

Although such rumors have recurred several times in the past two years, the legation is inclined to place some credence in the current crop, especially since the regime appears to be cleaning up unresolved cases of "heresy."

Comment: A trial this summer of Ana Pauker, as well as Vasile Luca and Teohari Georgescu, who were purged with her in 1952 for "right and left deviation" and opportunism, would probably be held in secret. Since the Beria trial in December, Czechoslovakia, Hungary, and Rumania have secretly tried and sentenced several leaders who were ousted as long ago as 1948 on grounds of bourgeois nationalism, treason and attempting to overthrow communism.

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Recent reports of secret trials of Zionists in Rumania strengthen the possibility that Pauker, a Jewess, may be tried soon. A conviction on a charge of Zionism, however, would mark a reversal of Orbit policy, which for over a year has played down anti-Zionist attacks. Neither Luca nor Georgescu is Jewish.

WESTERN EUROPE

8. West Germans seek early American-British intervention in Saar talks:



Chancellor Adenauer feels will be necessary for a solution--should take place around 13-14 May.

In discussing the status of the Saar negotiations with American officials on 5 May, West German foreign under secretary Hallstein said he believes American and British intervention--which

Following discussions between Hallstein and French deputy foreign minister Schumann, a meeting should be arranged between Adenauer and French foreign minister Bidault, preferably in Luxembourg on 16 and 17 May, to resolve all remaining differences.

Hallstein asked for American support of the position to which the chancellor recently was pledged by his party--that the Saar not be "Europeanized" until the European Political Community comes into effect.

Comment: The French want Europeanization immediately, the Germans at some later date. The French are now thinking of an agreement which would say nothing about the timing.

LATIN AMERICA

9. Honduran government considers martial law as strike spreads:



The strike among 14,000 United Fruit Company workers which began on 5 May is spreading to other activities and threatens

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to paralyze the entire north coast region of Honduras. An American embassy official notes that the strikers are well organized and are still avoiding violence. Fruit company officers believe "troops are the only answer."

The Honduran interior minister has recommended martial law in the affected area. The embassy believes ex-dictator Carias is prepared to take over the government if President Galvez does not take 'positive action.'

Comment: No overt labor organization is known to exist in the north coast region. The current strike appears the result of long-standing grievances effectively exploited by agitators, reportedly Communists from Guatemala. On 2 May the Honduran government accused two Guatemalan consuls in the area of subversive activities and canceled their *exequaturs*.

General Carias, Nationalist Party presidential candidate, who claims to be the only man capable of combating communism in Honduras, is likely to use the strike in an attempt to justify his strong-arm methods. Although he does not now appear prepared for a military coup, he is believed capable of resorting to such action.

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