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GENERAL**1. Chinese Communists want Korean talks continued:**

The Swedish ambassador in Peiping was told by a Chinese Communist vice foreign minister on 14 December that the Communists wish to resume the Korean talks but will not retract the remarks to which American envoy Dean had objected. The ambassador's impression, [redacted] was that the Chinese desire both a continuation of the preliminary talks and a convening of the Korean political conference itself.

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Comment: The vice foreign minister's line follows precisely Peiping's propaganda of the past several days. Even if the talks are resumed, there is no evidence that the Communists will compromise on the main issues.

2. Soviet position on Korean political conference reaffirmed:

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Comment: This is the most recent indication from an official Soviet spokesman that Moscow's attitude toward the political conference remains unchanged. The Soviet leaders will probably reject any UN recommendation designed to bind the USSR to agreements reached by the political conference.

In the proposed four-power Berlin conference, the Soviet Union may attempt to use the stalemate in the Korean talks as a basis for demanding a five-power conference including Communist China.

3. Menon seeking UN discussion on Korean prisoners:

According to Ambassador Lodge, Indian delegate Menon told a group of Latin American delegates on 16 December that the General Assembly should be convened before 22 January to consider disposition of the nonrepatriated Korean prisoners. He said that the lack of a political conference confronted Indian custodial troops with a potentially dangerous situation. Menon made it clear that the Latin Americans should use their influence to bring the United States around to the Indian viewpoint.

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Menon left a memorandum to the same effect with the British delegate.

Comment: Menon's maneuvers and India's reported denial of Thimayya's statement favoring release of the prisoners on 22 January represent a reversal of previously stated views. Since the talks have been broken off, India may wish to avoid Communist charges that releasing the prisoners would violate the armistice agreement.

4. Soviet officials suggest postponement of Berlin conference:

Officials of the Soviet embassy in London, in two separate approaches to the British Foreign Office on 14 and 15 December, suggested that 4 January is too early for the Berlin conference. One official emphasized the inconvenience to the French, and the other pointed out that both the Soviet and Western powers need several more weeks to prepare for it.

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The second Soviet official also said that the USSR at the outset of the conference would propose a subsequent five-power meeting, but would not break it up on this issue. He expected Moscow to insist on the formation of a government by representatives of East and West Germany, and the Allies to demand free elections as a first step. A compromise might be found, however, if the West would propose a mutual withdrawal of troops.

Comment: There have been other indications that the Kremlin will seek postponement of the Berlin meeting. The remarks on substantive issues seem designed to counter Western skepticism of Soviet willingness to accept any compromises at the conference.

Although the Kremlin might indicate a favorable attitude on troop withdrawal for propaganda purposes, it would probably demand conditions unacceptable to the West in order to prevent such a development, which the 17 June riots have shown would jeopardize its control of East Germany.

SOVIET UNION

5. Yugoslavia and USSR negotiate air transport agreement:



The USSR will authorize the Yugoslav airline JAT to make a weekly flight from Belgrade to Vienna in return for Yugoslav authorization for the Soviet airline Aeroflot to make weekly flights between Moscow, Belgrade and Tirana.

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Comment: This agreement appears to be another step in the normalization of relations between Yugoslavia and the Orbit.

Flights by Aeroflot between Budapest, Belgrade and Tirana were discontinued in mid-April 1953, probably because of excessive Yugoslav demands for information on cargo, passengers, and documents aboard the aircraft at the required inspection stop at Belgrade. The Yugoslavs probably have moderated their demands in this regard in order to obtain permission to fly to Vienna.

In July, Soviet authorities in Austria authorized three Western lines to fly regular schedules into Vienna.

SOUTHEAST ASIA

6. Chinese Nationalists in Burma and Karens increase cooperation:

Ambassador Sebald says the recently confirmed construction of a new airstrip in southeastern Burma near the Thai border strongly supports the belief that the hard

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core of the Chinese Nationalist forces plan to establish themselves there in collaboration with the Karen insurgents. Such a development indicates that the Nationalist problem in Burma will continue and that the Rangoon government will be under intensified internal political pressure to seek an accommodation with Peiping.

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Even if further evacuation efforts now promised by Taipei are successful, cooperation between remnant Nationalists and the Karens in southeastern Burma will keep Rangoon aroused over this problem.

NEAR EAST - AFRICA

7. Comment on Iranian government's drive against non-Communist opposition:

The Iranian government's decision to arrest Hossein Makki and Mozaffar Baghai, two of the chief non-Communist opposition leaders, who have gone into hiding, indicates that Prime Minister Zahedi plans to hasten the implementation of his domestic program, and is preparing to open talks with Britain on the oil issue. Zahedi tried but failed to gain Baghai's cooperation.

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The decision to act against its opposition suggests that the government now feels strong enough to risk popular reaction. The decision probably also springs from recognition that vocal and popular leaders of ultranationalism must be silenced before Zahedi's program can be implemented or serious talks on the oil dispute begun.

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8. Cairo tightens Red Sea blockade of Israel:

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Comment: This is the first evidence that Egypt is implementing its decision of 23 November to tighten the blockade against Israel. This action is being taken in the face of an American protest against the Egyptian attack on 3 December against a US ship carrying grain to Jordan.

Egypt's hardening attitude on this issue probably stems from increased frustration over the developments in the Suez dispute.

9. Egypt advances date for visit of economic mission to Moscow:

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Comment: The decision to send the economic mission to Moscow now, instead of next May as previously announced, suggests that Egypt is serious in its threats to pursue its policy of neutralism.

WESTERN EUROPE

10. Pella may announce within week intention to act on EDC:



Ambassador Luce in Rome reports that there is reason to believe Premier Pella is considering a pre-Christmas announcement of his government's intention to introduce EDC when Parliament reconvenes on 15 January.

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The possibility of this move was pointed out to the ambassador by ex-premier De Gasperi, who expressed the belief that EDC could be ratified without a Trieste settlement if there were an amendment to the EDC treaty which would permit a delay in Italy's full adherence until a reasonable solution of the Trieste issue had been found.

Comment: An Italian Foreign Ministry official recently told the American embassy that in his opinion the effect of the Trieste question on EDC ratification is exaggerated. Nevertheless, Italian ratification of EDC appears to depend on the government's ability to defend its position in Parliament regarding Trieste.

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