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FAR EAST

1. Japanese in Moscow reported conducting commercial negotiations with Communist China:

[redacted]
him,"

Two Japanese Diet members now in Moscow are preparing to go to Peiping together with Lei Jen-min, Chinese Communist Vice Minister of Trade, in order to "clarify the terms of a commercial arrangement drawn up with

3.3(h)(2)

The Japanese correspondent who gave this information [redacted] commented that trade with China is a necessity for Japan which needs immediate trade outlets, particularly for its textile industry now in a recession. He added that the Japanese Communists are counting more heavily on discontent caused by a business slump and the cost of rearmament than on anti-American sentiment.

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Comment: A Japanese Foreign Office spokesman has indicated that the two Diet members are in the USSR without their government's permission.

2. Biological warfare propaganda campaign may continue indefinitely:

[redacted]
The directive decrees that the "first stage" of the campaign is to last until 30 June, when a new stage of indefinite duration will begin.

Another indication that the Chinese Communists' biological warfare propaganda campaign may continue for several months was revealed in a directive of the "Central-South Epidemic Prevention Committee" published on 25 March.

3.3(h)(2)

The Consul General at Hong Kong states that the campaign's principal aim is to arouse the masses against "American imperialism." However, it also includes the practicing of sanitation and the inoculation of the entire population. The Epidemic Prevention Committee will have representatives down to the village level.

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3. Chou En-lai states Communists to release missionaries in six weeks:

[redacted] Chinese Communist Premier Chou En-lai told 3.3(h)(2) Mrs. Pandit that all imprisoned missionaries, except for two or three who had definitely transgressed Chinese law, would be released in

about six weeks. Mrs. Pandit had limited her approach to missionaries since she felt the time was not opportune to include other civilians.

The American Embassy in London notes that the British Foreign Office viewed this report with scepticism, and pointed out that the six-week limit is conveniently scheduled beyond the end of Mrs. Pandit's visit. The Foreign Office also suggested that Indian Ambassador Panikkar follow up this matter with Chou.

Comment: The Chinese Communists have jailed missionaries from about ten different countries. At least 300 nuns and priests, according to a Vatican representative, are known to be in jail in Communist China.

In an informal talk last August, Panikkar reported Chou as saying that only certain "worthy individuals" among the Protestants would be encouraged to remain in China, and implied that nearly all Catholics would be expelled because it is the "deliberate policy" of the Catholic Church to resist the Communist regime.

4. Peiping being requested to permit closure of British firms:

[redacted] The British Government representative in 3.3(h)(2) Peiping planned on 17 May to present Chinese Communist authorities a note asking permission for British firms to cease their present operations in China and establish a private trade mission in Shanghai.

The action was suggested by leading British firms which wish to continue trade with China. It is viewed favorably by the Foreign Office because it helps counteract the impression that British China policy has changed, while at the same time any rejection of the proposal would emphasize the falsity of the recent Chinese profession of interest in trade with the West.

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Comment: Many of these business interests expect to continue trading with the Communists from Hong Kong. The principal British firms became convinced earlier this year of the impossibility of maintaining branches in China.

5. Communist jet aircraft may be based opposite Formosa:

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The Chinese Nationalist Air Force detected on 16 April thirty-five unidentified aircraft flying along the mainland coast opposite Formosa. The day before, [redacted]

nine

[redacted] "batches" of 6th Regiment aircraft were to fly southward from Shanghai.

Comment: The Chinese Communist 6th Air Regiment was at a Korean border base until it moved to Shanghai in mid-January. It may now have been transferred to an airfield opposite Formosa. The Communists have never before based fighters between Shanghai and Canton, a distance of 750 miles.

NEAR EAST - AFRICA

6. Egyptian Foreign Minister sets deadline for agreement with Britain:

[redacted] The Egyptian Minister of Foreign Affairs has 3.3(h)(2) stated that his country "cannot accept" any attempt by the British to let the Anglo-Egyptian treaty discussions drag on throughout the summer.

He warned that if nothing is accomplished by 9 June when the British Ambassador departs for London, the Egyptian Government will be forced to take "some positive action."

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~~TOP SECRET~~**7. North African situation considered threat to US-French relations:**

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In suggesting topics which the French Foreign Minister may wish to discuss with the Secretary of State this week, the American Embassy in Paris states that the question of North Africa is the principal non-European issue between France and the United States, and that the French consider this "a dangerous fissure in our alliance."

Meanwhile, the Consul General in Tunis reports that the French authorities and the Tunisian nationalists have lost confidence in each other's good faith. Although the French tacitly admit their inability to prevent terrorism, they and American officials agree that the recent violence is the work of only a few individuals.

A prominent Tunisian nationalist labor leader, according to the Resident General, believes that the Tunisian question will reach the United Nations if agitation in Tunisia continues three more weeks.

EASTERN EUROPE**8. Yugoslav talks with exiled Albanians reported:**

An emissary of exiled Albanian King Zog appealed to Tito in early May for cooperation in liberating Albania,

3.3(h)(2)

Tito allegedly considered this "such good news that I find it difficult to believe," and agreed to have his representatives meet with those of King Zog at Istanbul on 15 May for more discussions.

Comment: Tito reportedly rejected a similar approach by Zog last summer.

Although Tito's official policy apparently has been to prevent interference with the present regime in Albania, the indications of attempted Italian penetration may have increased his interest in those Albanian exiles who are not serving Italy or other interests inimical to Yugoslavia.

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WESTERN EUROPE

9. Communists invoke treason law against West Germans:

3.3(h)(2)

[Redacted]

The East German Supreme Court has invoked for the first time the 1950 "law for the protection of the peace." This is considered "particularly significant" by American officials in Berlin in relation to anticipated Communist moves to tighten German zonal and Berlin sector boundaries.

East Berlin papers announced on 15 May that the East German Supreme Court had sentenced four persons, two to life imprisonment, for "terrorist" activities -- such as distributing leaflets, incendiaries, and stink bombs -- in the French sector of Berlin and on the sector boundary.

American officials see in these sentences a vivid warning that the law applies to acts performed by any German in any part of Germany, and that West Germans venturing into East Germany risk death or life imprisonment on trumped-up charges. They further comment that "such methods can easily be more effective in insulating borders than could any physical control of border-crossers."

Comment: The present Soviet scare campaign has included recent East German charges of border violations, conviction a week ago of 15 "foreign saboteurs," and sporadic interference with Western transportation routes into Berlin.

10. Comment on Austria's government crisis:

While Chancellor Figl may be exaggerating his concern in an effort to persuade American officials to attenuate their pressure on both the economic-reform and corruption issues, there is little doubt that Austria's chronic coalition crisis has moved into a more dangerous phase.

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According to the Chancellor, press charges that his government has received an American "ultimatum" to clear up these matters will require immediate "decisive action" to restore public confidence in the coalition government.

The absence of any workable alternative to the coalition may compel Austrian party leaders to continue their uneasy cooperation. The current crisis, however, reflects the general deterioration of the coalition government and makes its continuation until the 1953 elections increasingly problematical. Extremist groups will be the primary beneficiaries of any further impairment of public confidence in the coalition parties.

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