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FAR EAST

1. Communists may initiate new American atrocity propaganda theme:

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trial of four Korean traitors began on

25 May in Pyongyang, [Redacted]

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[Redacted] The defendants were charged

with the massacre, under American direction, of over 35,000 Koreans between October and December 1950, when the UN controlled most of North Korea.

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[Redacted]

Comment: Radio Pyongyang's coverage of the trial began on 25 May and emphasized that the four defendants were led by Americans.

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[Redacted]

The 29 May issue of Pravda carried an article, based on an account in the sensationalist Indian journal Blitz, of the alleged transportation of 20,000 Japanese prisoners to Central Pacific islands in February just prior to announcement of new tests of atomic weapons in the area. This article asserts that Korean and Viet Minh prisoners were used as human targets in similar tests in Nevada last year.

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2. President Rhee determined to break Assembly opposition:

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American Charge Lightner in Pusan concludes that the conference between the UN Commission for the Unification and Rehabilitation of Korea and President Rhee, has not changed the latter's determination to maintain martial law in Pusan until he has broken the resistance of the political opposition in the Assembly. The President apparently estimates this may take two weeks. He is using General Van Fleet's name to justify ignoring UNCURK and the Assembly's demands for an end to martial law. Rhee has plans to give the illegally imprisoned Assemblymen a summary trial under martial law.

3. Portuguese foresee danger to Macao from any new export controls:

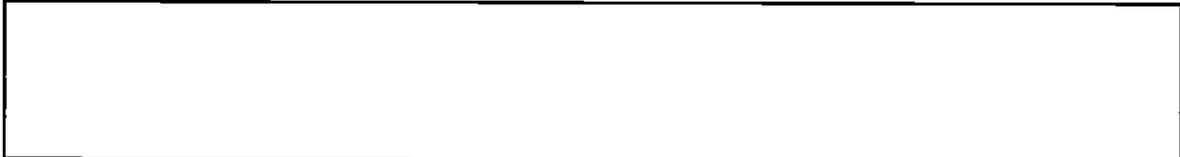
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Portuguese officials, now meeting with other Western delegates in Paris to discuss export controls, have stated that stopping strategic exports from Macao to Communist China would lead to a complete halt of all trade, with "very serious consequences" for the colony.

Present export controls at Macao are the maximum which can be contemplated, according to the Portuguese delegation. Macao authorities, in fact, are recommending to Lisbon a relaxation of the present regulations rather than the imposition of additional measures.

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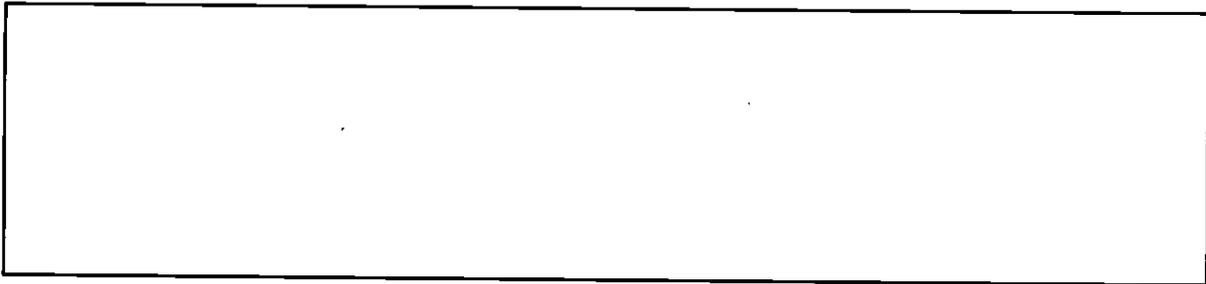


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SOUTH ASIA

6. India fails to reduce troop strength in Kashmir:



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The American Embassy in New Delhi has learned [redacted]

[redacted] that the withdrawal of 18,000 of the 62,000 Indian troops in Kashmir, previously reported to be "in process," has not yet commenced. In fact, recent troop transfers may have effected a net increase of three battalions.

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Though Pakistan has only 19,000 soldiers in Kashmir, an Indian External Affairs officer asserts that recent bellicose statements made by Pakistani officials caused India to reverse its earlier decision to withdraw a division of its forces from the state.

Comment: In preparation for the current talks in New York with UN Representative Graham, India has emphasized the concession represented by its voluntary withdrawal of an army division from Kashmir and the conciliatory attitude illustrated thereby.

Since Pakistani officials have issued bellicose statements during every Kashmir crisis in the last four years, it is doubtful that the Indian excuse is genuine.

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WESTERN EUROPE

7. Military announcements expected on East German People's Police Day:

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[redacted] expect that over the week end of 30 May-2 June the German Democratic Republic will announce an overt recruiting campaign for the para-military Alert Police, pre-military training for the Free German Youth organization, and possibly a national army.

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Comment: East Germany has designated 1 June as the "Day of the People's Police." The Fourth Parliament of the Communist youth organization is meeting in Leipzig at this time.

8. Economic countermeasures seen most effective against East Germany:

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[redacted] The High Commissioner's office in Berlin believes that General Chuikov's protest against the blocking of East German accounts in American banks testifies to the effectiveness of such measures. While discounting the efficacy of any local economic countermeasures by the West, HICOG officials believe that economic retaliation on a global scale would be most effective, and, particularly in its financial aspects, could be most easily enforced.

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[redacted]

These reports suggest not only a desire on the part of the East Germans to avoid future losses through the freezing of accounts, but also supports the contention that East Germany would be hurt by a major interruption of its trade with the West.

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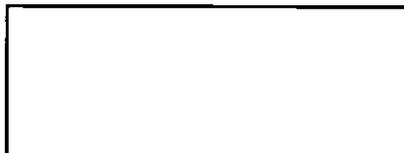
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9. British propose settlement for Saar issue:

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As a means of settling the Saar dispute, British Foreign Secretary Eden proposes that:

(1) the Saar be placed under the trusteeship of the Council of Europe with full political, cultural, and economic freedom, except that France would continue to have a 50-year lease, with option of renewal, on coal fields and railways, and would receive credit for iron and steel output under the Schuman Plan;

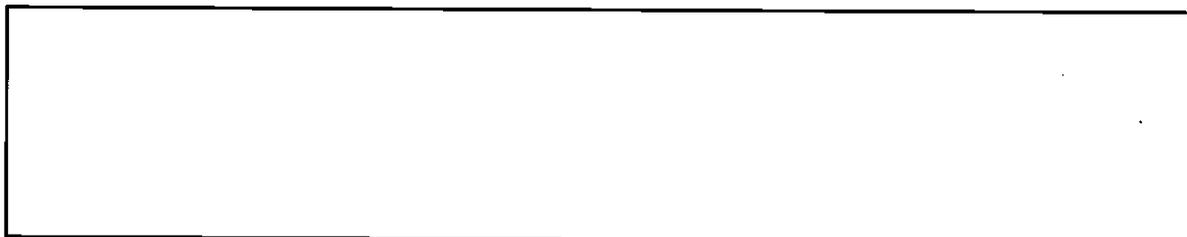
(2) the Saar become the seat of the projected European authorities;

(3) France and Germany agree to these arrangements without prejudice to the final determination of German frontiers in an eventual peace treaty; and

(4) the Council of Europe supervise the election of a new Landtag, which would then pass on these proposals.

Eden further suggests that, if all parties concerned agree to these steps, the Saarlanders themselves could within five years decide their future.

Comment: The British position regarding the Saar has been that the United States and Britain should discreetly press for settlement before greater French-German animosity developed over this issue.



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10. MRP dissatisfaction with Pinay increasing:

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[Redacted] The American Embassy in Paris reports that the recent Congress of the Popular Republican Party (MRP) was marked by "scathing denunciations" of the "reactionary policies" of the Pinay government. Even the newly elected president expressed regret at MRP participation in the government.

Despite this opposition, however, the conservative majority of the party voted by a large majority to allow Pinay to continue his price-lowering experiment.

Comment: This new display of unrest in the Popular Republican Party, reflecting increased dissatisfaction with the party's exposure to attack from the left, gives added weight to its demands that Schuman remain in the cabinet as a condition of continued Popular Republican support of the coalition.

11. American Minister in Switzerland against further blocking of Swiss bank assets:

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[Redacted] The American Minister in Switzerland opposes any further blocking of Banque Populaire funds in the United States in retaliation for the bank's handling of Chinese Communist accounts. He recommends that any further action be postponed until it is conclusively proved that the bank has other Chinese Communist accounts.

The Minister believes that the blocking of any more of the bank's assets would adversely affect Swiss consideration of further participation in the European Payments Union, the extension of Swiss controls over East-West trade, and the German assets problems now under discussion.

The blocking of additional funds now could make this incident the central issue in the June session of the Swiss Parliament, which plans to study the problem.

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