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DIA & DOS review(s) completed.

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GENERAL

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1. China concerned over reparations delay-- [redacted] informed Stuart of plans for the Chinese Ambassador in Washington to ascertain informally US reaction to a new formula for settling Japanese reparations, in the event that the "reparation deadlock" is not broken. Ambassador Stuart believes that this informal action by the Chinese culminates their "growing concern over the manner in which Japan is progressing politically and economically, and the dawning realization that delay in reparations settlement is working disadvantageously for China." Under the new formula, China would (a) abandon claims against Soviet expropriations in Manchuria, (b) agree to the Soviet proposal to consider only assets in Japan as available for reparations, and (c) in return, secure Soviet support on a tentative arrangement for sharing reparations as well as "some separate. . .concession such as Soviet renunciation of southern Manchuria railway rights."
 2. Danes consider non-reciprocal air pact with USSR--US Legation Copenhagen reports that a Danish Mission about to depart for Moscow to negotiate a bilateral air agreement is considering permitting Soviet aircraft to land at Copenhagen while Danish planes would only go to Memel. The Legation points out that this agreement would "go much further" than the recent Swedish-Soviet agreement and urges a joint US-British "protest" to Denmark against any agreement lacking reciprocal rights.
 3. Swing to San Francisco as UN site indicated--According to Austin, a UK delegate "thinks it very likely that the General Assembly will decide to locate the UN site in San Francisco." Austin adds that a US Delegation survey among Near Eastern and African delegations disclosed that most of them "could easily be induced to vote for San Francisco." The USSR, however, recently indicated its preference for Westchester.
 4. Explosive relations between Indians and South Africans reported--Indian delegates to the UN have informed Austin that relations between resident Indians and South Africans are "very explosive," and that India would press for a full UN hearing on treatment of its nationals rather than accept a compromise referring the case to the International Court of Justice.

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5. Dutch resent British influence--US Military Attache The Hague reports that "increasing disapproval" of British influence on the Netherlands has been expressed in the Dutch press and in official circles. Newspapers have denounced the presence of a British military mission and the "complete dependence" of the Dutch Army on British doctrine and materiel.

EUROPE

6. **GERMANY: USSR may agree to zonal economic unification**--Semeonov, Soviet Political Advisor at the ACC, has told the acting US Political Advisor, Heath, that agreement on the economic unification of Germany appeared possible to him provided Soviet reparations needs were given precedence over German economic revival. Heath replied that the US was not prepared to see a reparations rate so large as to require American taxation to prevent German starvation and distress.

Soviets claim 50% troop reduction--Semeonov also alleged to Heath that the Soviets were now reducing armed forces in their zone by 50%.

Growing UK dissatisfaction with Zone administration--US Charge Gallman in London reports indications of increasing animosity between British military and civilian authorities in the UK Zone and between the zonal administration and the London Control Office, as well as a rising Parliamentary and public lack of confidence in all concerned.

NEAR EAST-AFRICA

7. **IRAN: Soviets increasing hold on Azerbaijan**--Allen has been informed by US Consul Tabriz of a noticeable increase in the number of Caucasians in Tabriz. [redacted] 16,000 Caucasians are preparing to come from Soviet Azerbaijan. Although the immediate purpose of this move seems to be to control elections, the ultimate object may be the establishment of a permanent Soviet control in Iranian Azerbaijan. Allen believes this information tends to confirm the report that the Soviets are planning to create a strong military force in the area [redacted]

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FAR EAST

8. **CHINA: Contest for adherence of minor parties--US Ambassador Stuart reports that the Chinese Government has been maneuvering to obtain participation of the Democratic League and Youth Party in the National Assembly as a possible first step in winning the Communists. The Communists have made "strenuous efforts" to keep these parties within their orbit. Stuart believes the Communists will not join the National Assembly but will "avoid an obvious break."**

THE AMERICAS

9. **CHILE: President asks Braden Company to arbitrate strike--Bowers reports that President Gonzalez, in discussing the prolonged Communist-led copper strike with Braden officials, asked them to accept arbitration of all the points at issue and promised arbiters acceptable to them. He told them, however, that he cannot yet break with his Communist supporters and will therefore have to "resort" to decree if the company refuses. Bowers predicts that arbiters acceptable to the company will throw out all striker demands not based on the labor code.**

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