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GENERAL

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1. Analysis of Soviet position on Germany--In an analysis of the latest East German proposal for negotiations on German unification, the US High Commission in Frankfurt concludes that the USSR has not yet exhausted its efforts to win control of Germany through cold-war tactics of pressure, intimidation, and negotiation and that these tactics will run their course before force is employed. The Commission points out that the latest proposal offers very little if any encouragement for believing that the USSR or East Germany is ready to do more at this time than offer concessions in bad faith and in contexts where it can safely be assumed that the Western Powers must refuse the concessions offered. In the opinion of the Commission, the East German proposal is clearly a move to strengthen the Soviet politico-psychological posture in West Germany and indicates a Soviet willingness to make some concessions to West German opinion in an effort to attain the Kremlin's strategic aim of a demilitarized West Germany.

The Commission warns, however, that regardless of the Soviet motives, the conciliatory tone of the proposal brands it as a genuine diplomatic move which must be answered on its merits if the German people are to be convinced of the folly of all-German talks on East German conditions. Acceptance of these conditions would in fact hand control of Germany's future to the USSR rather than keep it within the control of the four occupying powers. The Commission adds that all-German talks of the kind proposed by the East Germans would permit the Germans, rather than the occupying powers, to negotiate a complex of subjects affecting the future of Europe and Germany and would delay and possibly disrupt present allied-West German negotiations on contractual relationship and rearmament.

State Dept. review completed

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2. CHINA: Report on internal conditions--US Consul General McConaughy in Hong Kong transmits information concerning Communist China

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(a) Communist control has been strengthened as a result of violent suppression during the past few months of persons in active opposition to the Communists or considered unreliable; (b) the Communists have largely succeeded in neutralizing the educated in large cities, through appeals to their patriotism and because of their fear of a monopolization of information; (c) dislike for Communism is growing; and (d) anti-American propaganda has not caused the people generally to manifest any dislike for Americans.

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[redacted] guerrilla activity appears to have decreased; fear and lack of leadership have paralyzed many who are opposed to the Communist regime, and there is a growing feeling that resistance is hopeless unless the outbreak of world war brings drastic changes. Except among the educated class, the growing dislike for Communism is not specifically related to Communist international policy, but rather to depressed economic conditions and increasingly stringent police controls.

3. KOREA: North Korea in chaotic condition--According to US Ambassador Muccio in Pusan, Pyongyang radio treatment of a recent North Korean Cabinet decision indicates that chaotic conditions exist in North Korea, including defeatism among the civil population, a serious food shortage, and almost complete disruption of agriculture because of a shortage of both manpower and seed. The radio commentary

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spoke of the "agrarian economy destroyed by the enemy" and mentioned a village in south Pyongyang province where one young man remains out of eighty farm families. The Cabinet decision revealed that 610,000 factories, houses, and other buildings have been destroyed and 60 percent of domestic animals lost.

4. INDONESIA: Attitude toward Pacific defense pact--Foreign Minister Roem has informed US Ambassador Cochran that "it would not be consistent with Indonesia's peace policy" for Indonesia to participate in a Pacific defense pact now. In reply to a question from Cochran, Roem said that the Indonesians would expect the US to defend them if Indonesia is invaded by the Communists. Cochran remarked that if such was the Indonesian expectation, it would be better to do some advance preparation rather than to await danger. Cochran feels that now is the propitious time to bring the Indonesians to face the realities of the world situation; he believes that if the US continues a "too gentle" policy with Indonesia, the country itself will not only become a problem but will contribute to the strengthening of the Asiatic-Arab bloc, thereby creating a much bigger problem.

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