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SUMMARY

FAR EAST

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SOUTH ASIA

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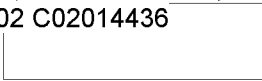
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SOUTH ASIA



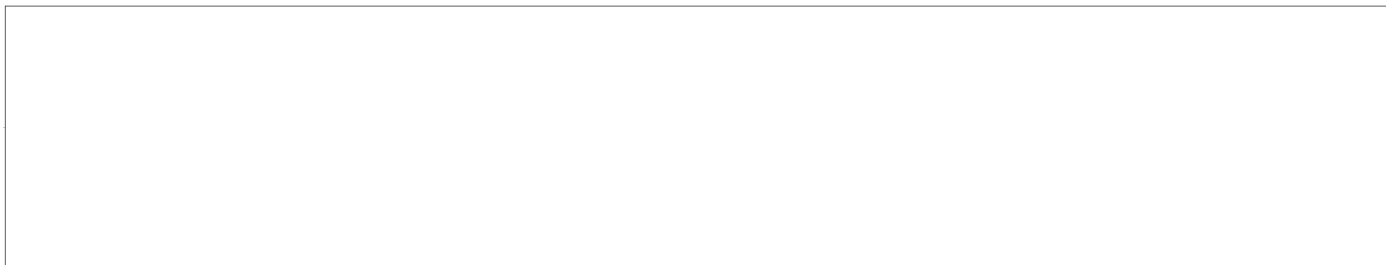
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**EASTERN EUROPE**

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5. US Embassy Belgrade favors lifting US visa restrictions on Yugoslav nationals:


The US Embassy in Belgrade considers that the program of assistance to Yugoslavia could be much improved if it were combined with a program of technical training of Yugoslavs in the United States. The embassy suggests that a clause be added to the current aid bill which would permit temporary visits to the US by the subjects of nations participating in aid programs. In this manner Yugoslav nationals could be admitted without weakening existing visa regulations.

The embassy feels that the US should encourage Yugoslav willingness to expose its citizens to Western life as evidenced by the regime's recent requests for on-the-job training and scholarships. The embassy points out that there is very little likelihood that any trainee selected by the regime would be sympathetic to the Cominform, since the anti-Cominform screening process in Yugoslavia is extremely severe.

Comment: A program of US training for Yugoslav nationals would improve Yugoslav industrial techniques. Because present US legislation restricts the entrance of all Communists, those Yugoslav nationals most likely to be sent for such training are not now eligible for visas.

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~~TOP SECRET~~6. Possibility of Italian concessions on Trieste:

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Italy is more anxious than Yugoslavia to reach a settlement on the Trieste issue in the opinion of the US Embassy in Rome. The state of Italian public opinion and the vulnerability of the Italian Government on this issue leave Premier De Gasperi little freedom of action. The embassy estimates that under any compromise the Italians would insist on obtaining all the predominantly Italian coast towns in the Yugoslav Zone B, but would probably be willing to make economic or other concessions to Yugoslavia.

Comment: A settlement of the Trieste boundary along ethnic lines would give the Italians the city of Trieste plus coastal cities in Zone B, where the Yugoslav Government has strongly indicated it would make no concessions.

The economic concessions mentioned might involve formal relinquishment of the former Italian mercury and bauxite mines in Zone B, already under de facto Yugoslav control. Trade concessions Yugoslavia in connection with certain imports levied in the port of Trieste might also be involved.

WESTERN EUROPE

7. British Foreign Office supports suspension of Czech overflight rights in Germany:

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The Foreign Office has now conditionally agreed to the suspension of the Czechoslovak State Airlines' right to fly over Western Germany, as part of the effort to secure the release of AP correspondent William Oatis. The UK insists that France, Belgium, the Netherlands, and possibly Switzerland concur in the action and that the Czech Government first be given warning that the rights will be suspended if Oatis is not released within a certain time to be specified.

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The Foreign Office will assist the US in obtaining the concurrence of these interested countries. US Embassy London believes this is the most that can be obtained from the Foreign Office at this moment.

Comment: Great Britain, like France, had previously declined to agree to tripartite suspension of the overflight right, expressing the general belief that that particular weapon should be saved for possible future use in case of more vital importance to the West.

The French have reacted to the latest American overtures by suggesting that there should be agreement on a general program including conditions for re-establishment of the flights. The Belgians have indicated that they will not oppose suspension, the Dutch interests in the flights are not so great as to presage isolated opposition, and the Swiss attitude is unknown.

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8. Agricultural strikes threaten German Republic:

The danger of agricultural strikes increased during the past week when the negotiations of farm workers for higher wages ran into difficulties. Workers have walked out in some 30 large Bavarian agricultural enterprises, and similar action is anticipated in most other Laender. The workers are in a good bargaining position because this is harvest season, but the effectiveness of the strikes has been diminished by the use of children and unemployed as "strike-breakers."

Comment: German workers are becoming increasingly restless over the steadily rising cost of living, but this is the first instance of agricultural strikes. The German Trade Union Federation, which recently threatened to withdraw its participation from all government commissions, is supporting the farm workers in their demands. Unless some arrangement is soon reached with the strikers, crop losses could be serious.

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~~TOP SECRET~~9. French perturbed by increase in German coal price:

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The French representative on the Ruhr Authority fears that prospects for French ratification of the Schuman Plan will be jeopardized by West Germany's recent unilateral decision to increase export coal prices. He believes that the increase is discriminatory and would have a disastrous effect on the French and Luxemburg steel industries. He regards this German move, however, as primarily a political test of strength to determine how far the Federal Republic can go in disregarding Western restrictions. He implies that disappearance of Ruhr Authority restrictions would weaken the German desire for ratification of the Schuman Plan.

Comment: In view of the critical coal shortage in Western Europe, the Germans have brought Ruhr coal prices closer to world levels with little chance of Western interference. The Germans have long resented the Ruhr Authority's restrictions and, if this move succeeds, may attempt to evade the few remaining controls. France's sharp reaction to incidents such as this and General Ramcke's recent demand for a free hand in German rearmament endanger the full French-German cooperation essential to European integration.

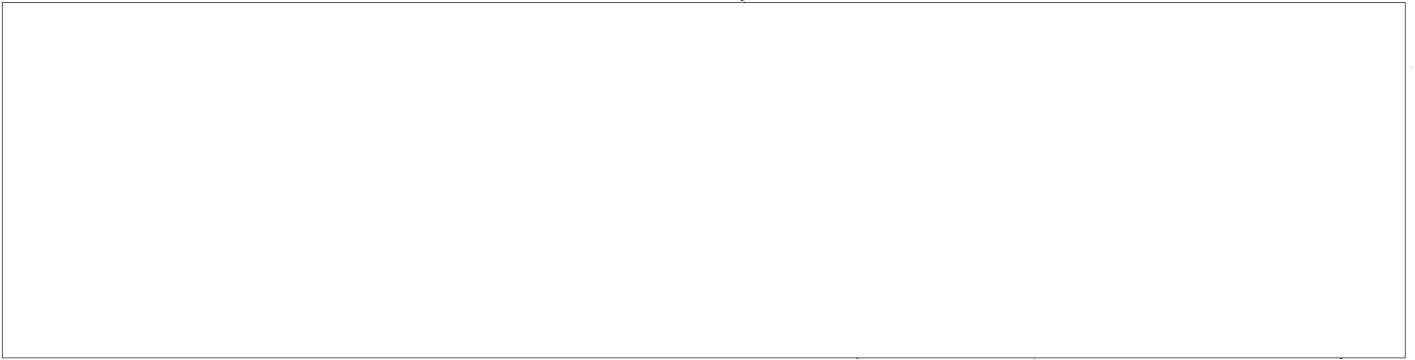
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