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6 April 1952

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State Department review completed

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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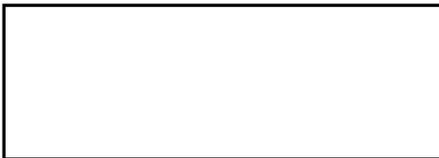
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**FAR EAST**

2. Peiping may agree to investigation of its BW charges:



The Indian Ambassador to Peiping has received the impression from a Chinese Vice Foreign Minister that there is a "considerable possibility" that the Chinese will agree to an impartial international investigation of their biological warfare charges. Pannikar expected to discuss this subject with Peiping's Foreign Minister, Chou En-Lai, on 5 or 7 April.

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The Indian Foreign Office advised Pannikar that any international investigative body should have full freedom to undertake independent investigation in the localities concerned, as well as to review evidence submitted to it.

Comment: Peiping has been criticized in Asia for its failure to accept the American proposal that the International Red Cross investigate the biological warfare charges.

Peiping is not likely to agree to an investigation such as the Indians are suggesting. However, to regain the propaganda initiative, the Chinese may be willing to discuss a proposal for the creation of an investigative body.

3. Missionary reports on "American germ air raids" in China:

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 A German missionary, newly arrived at Hong Kong from Tsingtao, has supplied details on the alleged American germ air raids there on 5 and 8 March. During the alerts, a single searchlight played in one direction for two hours, while anti-aircraft batteries fired wildly in all directions. No planes were heard or seen on either date.

On 9 March, hundreds of children wearing face masks and equipped with fly swatters and bottles, and thousands of soldiers were led out to collect insects. For days afterwards, the police led people on insect hunts.

While the missionary himself is convinced that there were no raids, he states that many Chinese believe the Communist BW charges.

4. Letourneau considered best man available for Indochina post:

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 Minister Heath in Saigon believes that the French Government made the best possible choice in appointing Minister for Associated States, Jean Letourneau, High Commissioner in Indochina.

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Heath explains that Letourneau has the personal qualifications necessary for the post, is familiar with the situation, and has a "friendly understanding" of American policy.

Comment: Since Letourneau retains his position as a member of the Pinay government, his new assignment may be interpreted as an indication of French determination to push for a solution of the Indochina problem. The important decisions on Indochina policy, however, which will still be made in Paris, are apt to suffer by his absence from the capital.

Letourneau's appointment is not being received with much enthusiasm in Vietnam. He has a rather low opinion of the ability of the Vietnamese to maintain their independence, and he is identified in the minds of many Vietnamese with French equivocation on the subject of negotiations with the Viet Minh.

#### NEAR EAST - AFRICA

##### 5. Comment on Iran's financial situation:

The Iranian Government has so far managed to avoid financial collapse by resorting to special devices such as indirect loans from the National Bank, floating an internal loan, and the transfer of uncommitted foreign exchange. It now has sufficient funds to cover current salaries and wages.

However, the increasing financial and economic deterioration has reportedly forced the Iranian Ministry of Finance to consider the unpopular step of debasing the currency by expanding the note issue and using up the gold reserves covering its currency. The American Embassy believes that Prime Minister Mossadeq might be able to persuade the Majlis to dilute the currency on the basis of "patriotic expediency," but that even without this the government could carry on through May.

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7. Egyptian parliamentary elections likely to be postponed:

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Egyptian parliamentary elections, now scheduled  
to take place on 18 May, will not be held. [Redacted]  
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**Comment:** There have been previous indications that Farouk would postpone the 18 May election date.

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8. Egypt denounces action of British Governor General in Sudan:

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The Egyptian Foreign Minister has denounced the British Governor General in the Sudan for submitting a new constitution to the Legislative Assembly. The Foreign Minister, who considered the act "provocative," seriously contemplated breaking off talks with the British Ambassador.

Egyptian newspapers, though severely limited by censorship, have unanimously accused Britain of extending its imperialism and of a new move to separate the Sudan from Egypt.

Comment: If the Governor General's action does not lead to a complete breakdown in current preliminary Anglo-Egyptian talks, it will at least certainly harden the Hilali government against making concessions on the Sudan and Suez issues.

WESTERN EUROPE

9. Top Italian official in Trieste urges moderation in Italy's position:

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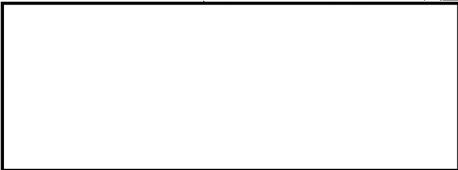
The Chief of the Italian Mission in Trieste reportedly believes that a final settlement of the Trieste dispute should be postponed, since the present international situation would not permit a solution favorable to Italy. He thinks that Italy should not try to alter substantially the present status of the Free Territory, and that Italian troops and police should remain outside, as their presence might further antagonize the Yugoslavs and result in a permanent partition along the present zonal frontier.

Comment: These views are in contrast to the intransigence of most responsible Italian leaders, who advocate greater Italian participation in the administration of Trieste.

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10. Anti-Communist French labor campaign suffers setback:

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A "severe blow" may be dealt efforts toward collaboration among the principal non-Communist French labor organizations by a sharp split in the leadership of the rightist Independent

Labor Confederation. A failure to mend this split would benefit considerably the Communist-led General Labor Confederation.

The moderate majority of the Independent Labor Confederations's executive committee recently defied an attempt by the minority and the organization's principal financial backer to place ex-Vichyites in certain top positions.

Comment: The Independent Labor Confederation seeks an inter-confederal grouping of non-Communist labor representatives. The present leaders of Force Ouvriere, one of the two principal non-Communist labor organizations in France, would be excluded because of their un-aggressiveness and deep distrust of the Catholic Labor Confederation.

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