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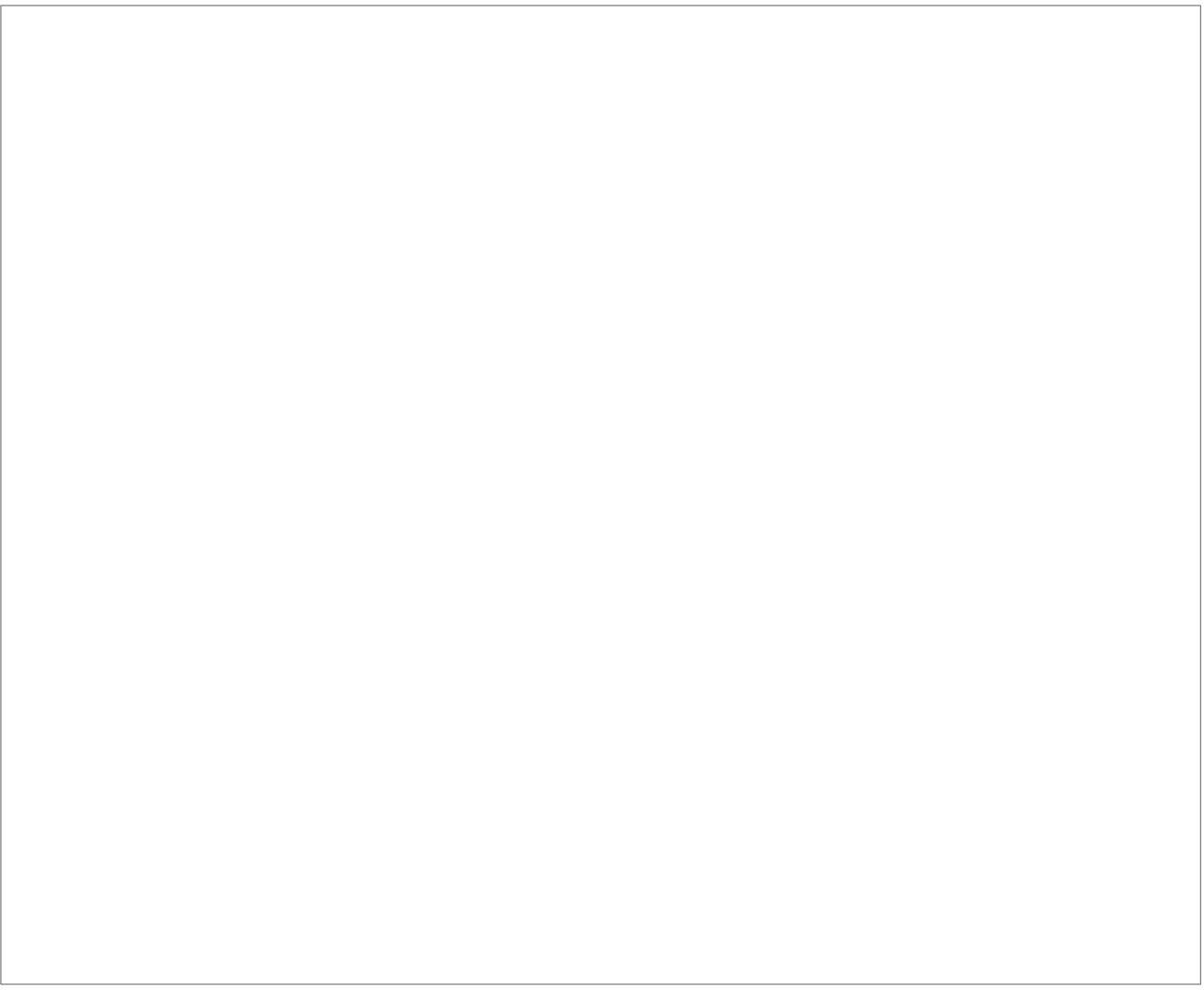
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USSR

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FAR EAST

2. Communist air strength for Korean operations now estimated at 900:



The US Far Eastern Command estimates that the enemy now has a total of 900 operational aircraft and that this strength will possibly 3.3(h)(2)

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reach 1,000 by mid-year. FECOM notes that a large percentage of this expansion has been in fighter aircraft, "in keeping with the enemy's long continued defensive tactics. . ." FECOM points out, however, that "the enemy could momentarily effect a complete change in tactics and sustain offensive operations. . ."

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Comment:

(a) the Communist air force is being well supplied with aircraft, particularly fighters, (b) the Communists are making efforts to protect their airfields by installing anti-aircraft equipment and by assigning anti-aircraft battalions to some of the larger airfields and (c) the Communist air force is suffering a serious shortage of aviation gasoline. The latter consideration will probably deter the Communists from launching a large scale air offensive in the immediate future.

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3. Japan desires inclusion of Chinese Nationalists in peace treaty:

Japanese Vice Foreign Minister Iguchi, representing Premier Yoshida, advised the US Political Advisor in Tokyo on 19 May that his government: (a) under no circumstances desires the signature of the Chinese Communist regime on a Japanese peace treaty, and (b) wishes to make peace with the Nationalist government, which it considers deserving of Japan's support. Iguchi also expressed the thought that failure to give the Chinese Nationalists an opportunity to become a party to the treaty might unduly delay its ratification by the US Senate.

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Comment: In view of the obvious economic advantages to Japan of free trade with Communist China, Iguchi's statement appears to be an unusually pro-Western commitment and is to be contrasted with a statement to the Diet by a responsible Foreign Office official on 16 May that the problem of Chinese representation was an "insolvable issue." Iguchi's strong pro-Nationalist stand is probably to be explained by the overwhelming Japanese desire for an early peace treaty.

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NEAR EAST

4. Soviet-Iranian monetary and boundary negotiations continuing without progress:



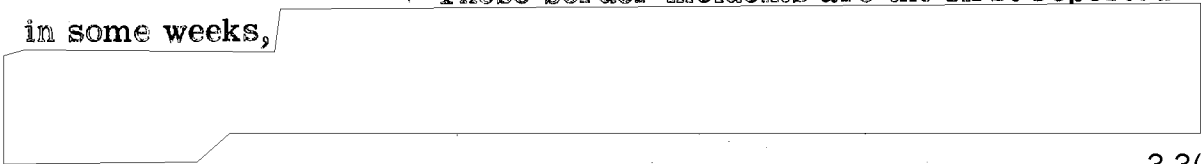
The Iranian press reports that conversations between Soviet and Iranian representatives concerning Iranian gold and foreign exchange are continuing. The chairman of the Iranian

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group is said to have privately expressed disgust with the lack of progress and extreme doubt whether any agreement can be reached. The press also reports that the Soviet-Iranian border commission is re-summing on-the-spot studies of disputed sections of the frontier. This work had been interrupted near Astara during the winter because of heavy snows, and has been slow to resume. No progress has been made and there are reports that the dispute may be taken up through diplomatic channels or that the matter may be arbitrated. According to the Iranian press, there have been two recent border incidents involving Soviet frontier guards.

Comment: The continuation of these Soviet-Iranian negotiations indicates that the USSR is continuing its policy of ostensible friendship toward Iran.

These border incidents are the first reported in some weeks,



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5. Israelis openly oppose UN Security Council resolution on the Syrian-Israeli border dispute:

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According to US Ambassador Davis in Tel Aviv, top Israeli government officials have stated that Israel is "extremely upset" over the terms of the UN Security Council resolution on the

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Syrian-Israeli border dispute. The Israelis are particularly opposed to the parts of the resolution which request (a) Israel's suspension of its drainage scheme in the Lake Hule demilitarized area, and (b) permission for the return to the demilitarized zone of those Palestinian Arabs who were removed by the Israelis several weeks ago. Davis anticipates that the

Israelis will try to prevent the implementation of the Security Council resolution, and he expresses the fear that a wave of Israeli cynicism will develop against the UN. Meanwhile, US Minister Cannon in Damascus takes issue with the two chief Israeli complaints. Concerning the Lake Hule drainage scheme, Cannon states that the basic question is not over the project itself, but over Israel's right to take unilateral action in the demilitarized area, the sovereignty of which is still in dispute. In regard to the Israeli allegation that the recently displaced Arabs are "happy," Cannon points out that the Arabs bitterly fought to remain on their lands and that UN observers were unable to see those Arabs who were removed because the Arabs were allegedly "quarantined."

Comment: The bitterness between Syria and Israel over the initial dispute regarding the Israeli drainage project and over the subsequent border incidents made it certain that, if the Security Council adopted any positive measures at all, the UN-suggested course of action would be opposed by at least one of the two parties concerned. Israel's opposition to the 18 May Security Council resolution, which was passed by a 10 - 0 vote (the USSR abstaining), has been further emphasized by a government statement from Tel Aviv to the effect that the Israelis will continue their drainage scheme despite the provisions of the UN measure. Syria and the other Arab States, on the other hand, have reacted favorably to the Security Council resolution, for Arab government officials reportedly consider the measure as indicating that the UN is seeking a just solution to the Syrian-Israeli controversy and that the UN opposes any unilateral action being taken in the border area by either side.

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WESTERN EUROPE

6. Neo-Nazi party attempts to improve its political position:

 the neo-Nazi Socialist Reich Party (SRP), which recently attained prominence through its success in the Lower Saxony state election, is improving its position in the West German Federal Parliament through political maneuvering. The two SRP delegates in the Parliament now vote with the Economic Reconstruction Party (WAV) in order to give the WAV the minimum representation of 15 delegates required to give it all the official privileges of a voting group. The SRP has exploited its new alignment to influence the WAV leadership to support the SRP line on occasion. The SRP is also currently attempting to increase the size of its own representation in Parliament by proselyting two delegates from another extremist party.

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Comment: Allied officials have expressed alarm at the success of the SRP in the Lower Saxony election, and at the possibility that the party might spread its influence to the rest of Western Germany. The SRP has already announced that it will open a propaganda campaign in early June in Hesse. Because of the Federal Government's recently announced plans to have the SRP banned, party leaders have adopted more moderate tactics for the present, and have toned down their previously extreme anti-democratic and nationalistic utterances.

7. UK Government reported likely to deliver two tankers to Poland:

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According to an export control official at the US Embassy in London, the UK Government will probably decide not to interfere with the delivery of two British-built tankers to Poland.

 since the government recently discovered that the two vessels are already the property of a Polish state corporation, the UK fears that the Poles would retaliate against British shipping if the Admiralty requisitions the tankers, as had been requested in April by the Foreign Office. US Embassy London believes it highly desirable that the US deliver a note asking the UK Government to prevent delivery of these vessels.

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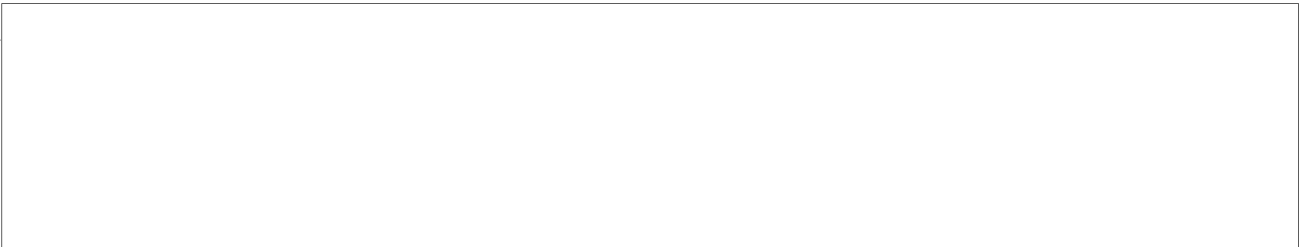
Comment: In light of the UK's reluctance to curtail trade with Poland, and in the absence of any question of ownership, the British would normally deliver the ships. The two vessels in question were ordered in 1948 by Poland and are similar in size to those currently in use by the USSR to carry petroleum products to the Far East. Current Polish petroleum requirements are such that these vessels are not required for regular shipments between the USSR and Poland.

LATIN AMERICA

8. Bolivian revolutionary party reportedly plans revolt:



Embassy La Paz reports that outbreaks planned by the Nationalist Revolutionary Movement (MNR) at various points in La Paz on 18 May failed to materialize. In only one district, where MNR followers tried to seize a police station, was there any violence, and this was quelled by police. MNR members say that their ranks have been well infiltrated by police agents who thus far have been able to stalemate MNR plans.

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Comment: Thus far the police and armed forces -- including the air force -- have remained loyal to the junta government. Some pro-MNR sentiment among minor army officers has been reported during the past few months; there have been no reports concerning MNR sentiment in the air force. The air force is of prime importance in the rapid transportation of troops to suppress possible disturbances in remote parts of Bolivia.

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