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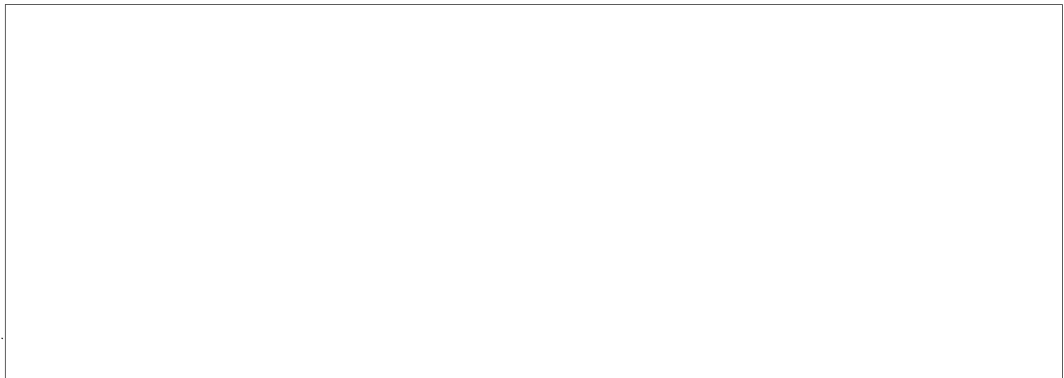
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CENTRAL INTELLIGENCE AGENCY



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GENERAL**1. Senior British official suggests new approach on Germany:**


 The permanent under secretary of the British Foreign Office, Sir Ivone Kirkpatrick, believes the USSR might eventually abandon its position in East Germany and accept a "neutralized" zone, "making use of Yugoslavia's middle position," and including East Germany, Austria, and part of Czechoslovakia.

Kirkpatrick believes the West should consider what it would give to end the Berlin difficulties and extend Western influence to the Polish border. He suggests a unified Germany in NATO with the East zone demilitarized.

Comment: British officials at the current tripartite meetings on East-West talks in London have made it clear that the new British government to be formed after the 26 May elections will not be able to make definitive decisions on substance before about 1 July. Meanwhile, primarily because of the elections, these officials have urged the earliest possible invitation to the USSR and an agenda broad enough to include all outstanding East-West issues except Far Eastern questions.

Kirkpatrick's thinking goes beyond previous British ideas on Germany, which were confined largely to the Eden plan for free all-German elections. His evident desire to encourage the idea of a band of "neutral" nations is generally compatible with the British government's professed policy of seeking an East-West understanding based on a parity of strength.

SOUTHEAST ASIA**2. Chou En-lai reportedly offers mediation of Pathet Lao problem:**

 Chou En-lai volunteered at Bandung to act as mediator in determining whether control over the two northern provinces

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of Phong Saly and Sam Neua should go back to Laos, according to a statement Laotian premier Katay made to General Phao, Thai director general of police. According to this information, passed by Phao to the American embassy in Bangkok, Chou proposed asking Pathet Lao leader Souphannouvong to come to Peiping to discuss this matter and apparently also invited Katay. The Laotian premier was favorably impressed by Chou, but has not yet decided whether to accept his offer of mediation.

Katay also told Phao that if current negotiations with the Pathet Lao fail, he is determined to launch an attack on the northern provinces some time before the elections scheduled for December.

Comment: Katay's acceptance of Communist China's mediation offer would amount to a relinquishment of the sovereign rights in northern Laos claimed by the royal government. It would undo recent progress in the International Commission, [redacted] toward recognizing Laotian claims.

Katay's plan for military action as a last resort may have been encouraged by a promise of noninterference in Laos' internal affairs made to him at Bandung by Viet Minh vice premier Pham Van Dong.

3. Comment on "People's Revolutionary Council" in Saigon:

[redacted] The self-styled "People's Revolutionary Council" which on 30 April adopted a resolution "deposing" Bao Dai, "entrusting" Diem with forming a new government, and requesting the withdrawal of French troops has no official status. It has been tolerated and perhaps to some extent encouraged, however, by the Diem government as an instrument with which to bring pressure on Bao Dai and the French. Diem has explicitly informed the American embassy in Saigon that he still regards Bao Dai as the chief of state, and that the resolution of the council has no bearing on this matter.

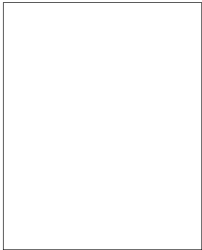
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General Ely's allegation that the Viet Minh is "playing an important part" in the revolutionary group and Diem's entourage has not been confirmed by other sources. Some of the lesser known figures served with the Viet Minh several years ago, as did a number of other nationalists now prominent in the Vietnamese government. It does not appear, however, that they have been engaged in pro-Viet Minh activity since that time, and the statements issued by the council have been consistently anti-Communist. Sect generals Phuong, The, and Ngo, who are prominent in the group, are anti-Communist. The council has claimed to represent a wide cross section of Vietnamese political groups. The statement by the head of Vietnam's largest labor union that the union's name was used without authorization suggests that some of the council's support may exist only on paper.

The sect generals who are on the council control a total of about 19,000 troops, and Diem will be at some pains to retain their support. As long as he retains the loyalty of the Vietnamese national army, however, he should be able to prevent the council from gaining control of the government.

SOUTH ASIA

4. Pakistan moves to curtail relations with Afghanistan:



Pakistani prime minister Mohammad Ali announced in his regular first-of-the-month broadcast on 1 May: "We have decided to close down our consulates in Afghanistan. We have decided to expel the Afghanistan embassy in Pakistan."

On the same date, Mohammad Ali told reporters that Pakistan had ordered the immediate closing of Afghan consulates and trade agencies in Peshawar, Quetta, Chaman and Parachinar. Pakistan, he said, had closed its consulates in Kandahar and Jalalabad.

Comment: This Pakistani move is presumably made to impress Afghanistan with the possibility of economic strangulation through the eventual breaking of diplomatic relations and the closing of Kabul's outlet to the sea by way of Karachi. While this action may constitute sufficiently heavy pressure to force the fall of Afghan prime minister Daud's government and its replacement by one more favorably disposed to Pakistan, making propaganda capital of the move might result in developments directly opposite to those desired. On two recent occasions, Pakistani publicity or actions have forced Afghanistan for reasons of pride to withdraw from a position which could have assisted in a rapprochement. (SECRET NOFORN)

5. Krishna Menon believes US hinders negotiations with Peiping on Formosa issue:

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| | India's V. K. Krishna Menon, |
| | indicated his conviction that the United States was responsible for the anti-Communist stand taken by Turkey and several other nations at the conference. |

Subsequently on 28 and 30 April, Menon, in a more moderate mood, explained to Ambassador Cooper in New Delhi that Communist China does not want to fight, that the next move is up to the United States, and that if the United States continues to question China's good faith, no progress toward a settlement can be made.

During the second conversation with Cooper, Menon mentioned that he is going to Peiping only to try to prepare the way for negotiations and that he expects no firm commitments to develop from the first contacts between the United States and China. He tried hard, however, to impress Cooper with

the possibility of progress if only the United States would adopt a reasonable attitude.

Comment: Krishna Menon, like others, appears to have been greatly impressed by the strength of the showing made by anti-Communist, pro-Western nations at Bandung. He obviously ascribes this strength to the United States' powers of persuasion, and probably feels more strongly than before that the United States must be convinced of China's bona fides if a peaceful settlement of the Formosan situation is to be achieved.

Whether Menon goes to Peiping in an emotional frame of mind or not, it is questionable whether he will accurately represent the positions of both sides.

THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington
up to 1100 hours 2 May 1955.

1. No significant developments have been reported.