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CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. USSR probably controls Korean air war from Mukden:

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The US Air Force believes that the USSR probably exercises over-all command control over enemy air combat operations in Korea from a combined Soviet-Chinese-Korean air

headquarters located in Mukden.

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Comment: This combined headquarters at Mukden presumably commands the jet fighter units of the Chinese, Korean and Soviet Air Forces based at combat airfields in the Antung area.

2. Burmese rebel leader reportedly recruiting in China:

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[Redacted]

An estimated 5,000 Kachins and "Sino-Shans" who attended a recent Chinese Communist-sponsored festival at Paoshan, near the Sino-Burmese border, were urged by Naw Seng, the Kachin rebel leader from Burma, to join his forces. Volunteers were promised military training before an invasion of Burma scheduled "in the near future."

Comment: Naw Seng's long refuge in China is an irritant in Sino-Burmese relations, particularly because of the patent insincerity of Peiping's Embassy in Rangoon when approached on the matter by Burmese authorities.

Naw Seng's impending return to Burma has often been reported over the past year.

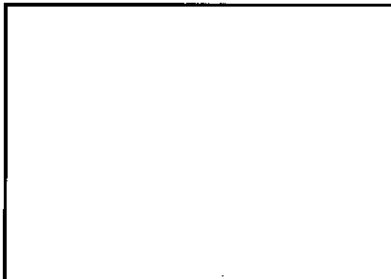
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NEAR EAST - AFRICA

3. American Ambassador in Cairo assesses Egyptian situation:

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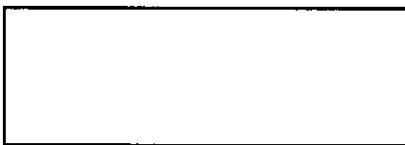
The new cabinet of Prime Minister Hilali can give Egypt a good government only if Great Britain offers major concessions on the Suez base and Sudan issues, according to the American Ambassador in Cairo. The opposition of the strong Wafd Party to the new government will make it more difficult for Hilali to accept Western terms than it was for the previous cabinets under Ali Maher and Nahas Pasha.

Meanwhile the American Ambassador in London reports that the British Government will for the present wait to see how the situation develops. Britain does not wish to act quickly lest the Egyptian Cabinet be accused of being a "British creature." The British also feel that Egypt must first cope with the Wafd before it can tackle Anglo-Egyptian negotiations.

Comment: While the new Egyptian Premier is a stronger personality than his predecessor, his ability to meet Wafd opposition successfully over the long term depends, in large part, upon the outcome of any future negotiations with the British.

4. Tunisian official fears Arab bloc will over-extend demands:

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The Tunisian Minister of Justice, himself a nationalist, fears that the more extremist Arab representatives in the United Nations may include a request for Tunisian independence when the problem of the protectorate is brought before the Security Council. The Tunisian nationalists themselves desire only a Security Council recommendation that France proceed with reforms leading to internal autonomy by direct negotiation with the Tunisian Government.

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Comment: The essentially moderate nature of the Tunisian position remains unchanged. An auxiliary demand is for the release of imprisoned nationalist leaders prior to the resumption of negotiations.

The Tunisian Ministers also are afraid that their position might be jeopardized by inaccuracies in the brief which Pakistan has agreed to sponsor and which is being prepared largely without Tunisian supervision.

WESTERN EUROPE

5. Italian Foreign Office experts pessimistic on Trieste problem:

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[Redacted]

Italian Foreign Office specialists see no hope for a settlement of the Trieste issue following Premier de Gasperi's rejection of Marshal Tito's proposal for an Italo-Yugoslav condominium. The incident has inflamed Italian nationalist sentiment.

Comment: This is the first comment from Foreign Office specialists regarding prospects for a solution of the Trieste issue. Their view confirms previous indications that a settlement of the problem is highly improbable for the foreseeable future.

6. Gaullist regime reported imminent in France:

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[Redacted]

[Redacted] one of De Gaulle's chief advisers believes that within sixty days the General "will be in power," at least to the extent that his Rally of the French People will participate in a new government. It will, however, expect to dominate such a government.

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[redacted] Jacques Soustelle, head of the Gaullists' parliamentary group, was summoned last week-end for a conference with President Auriol, who said he wanted to see De Gaulle but feared Communist reaction.

Comment: The Gaullists would probably not demand the premiership as the price of permitting formation of a new government; they would, however, insist on acceptance of their program for constitutional reforms and a major French reorientation within the Atlantic alliance. There is no evidence that sufficient deputies of other parties are swinging to acceptance of the Gaullists in a coalition on these terms.

Summoning Soustelle, as the parliamentary leader of a major party, would be normal at the beginning of a Cabinet crisis.

LATIN AMERICA

7. American Ambassador advises delaying termination of aid to Guatemala:

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[redacted] Because the United Fruit Company's dispute with the Guatemalan Government is at a crucial point, Ambassador Schoenfeld recommends that the United States delay for a few days any decision to terminate technical assistance programs in Guatemala. He feels that abrupt action by the United States at this moment would harm rather than help the company's chances of arriving at an agreement with the government.

The Ambassador suggests that if the dispute becomes more serious, measures then be adopted which could be justified on the grounds that conditions are not conducive to cooperative programs. He feels, however, that such measures are not likely to improve matters and will at best be a concession to American public opinion.

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Comment: The present crisis between Guatemala and the United Fruit Company arose from a court order that the company's properties on the Pacific coast be sold at public auction on 5 March to satisfy the back wage demand of some 3,700 workers. These laborers were suspended by the company after wind storms did major damage to the plantations last September.

The company has refused to rehabilitate the plantations without guarantees against increased labor costs during the next three years. The company can be expected to reach some agreement with the workers in order not to lose such valuable properties.