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GENERAL

1. Wu says Communists want end of hostilities--Indian delegate Rau has told US representative Gross at the UN that in a 9 December conversation General Wu made two points which he said he wished Rau "to take as seriously intended": (a) the Chinese Communist Government is anxious to have an end to the hostilities; and (b) action upon the pending six-power General Assembly resolution calling for the withdrawal of Chinese Communists from Korea would "not facilitate matters." According to Rau, Wu said several times that the leaders of his government are anxious to see an end to the hostilities "which had been forced upon them by the US." When Rau asked concerning the reaction of Peiping to the "Asiatic declaration" requesting the halting of the Chinese Communists at the 38th Parallel, Wu replied that the UN would "see for itself" from the actions of the Peiping Government. Rau interprets this cryptic reply to mean the Communists will heed the declaration, apparently basing this inference primarily upon the fact that Wu's manner throughout the conversation was friendly.

EUROPE

2. GERMANY: Schumacher's views on German rearmament-- In a lengthy discussion with the US High Commission at Bonn, Socialist leader Schumacher reiterated with customary "vigor and bitterness" his now familiar criticism of US policies in the Far East, Germany and elsewhere. Schumacher again stressed that Germany could not participate in the defense of Europe except on a basis of full equality and described the latest Western

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proposals as "unrealistic and unacceptable." The High Commission notes, however, that Schumacher is disturbed because his demand for German equality in European defense, while gaining him increasing popularity, is placing him in a "frustrated isolation" from the decisions he knows must be taken soon with respect to European defense. The High Commission expresses the view that regardless of Schumacher's present motives, an adequate German contribution to European defense is not possible without Socialist support or at least abstention in Parliament. The High Commission believes that in order to obtain this support, steps will have to be taken to dispose of Schumacher's popular and growing demands.

Adenauer cannot sign Schuman Plan now--Chancellor Adenauer has informed US High Commissioner McCloy that it is impossible for him at present to sign and present the Schuman Plan for ratification because to do so would weaken his authority and entail too great a risk to his political position. After a long conference with German leaders, McCloy concludes that the German hesitancy to sign the Schuman Plan now is connected with mistrust of French opinion in favor of neutralizing Germany. Although Adenauer does not attribute to Schuman himself the "false and dangerous" belief that Germany could remain neutral between "the strong magnetic pole of Russia and the weak magnetic pole of Western Europe," Adenauer does feel that Schuman is weak in the face of many other strong French influences and cannot alone determine French policy.

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**FAR EAST**

3. **CHINA: Troops reportedly massing on Indochina border**-- According to the US diplomatic and military representatives in Taipei, reports which have been received by the Nationalist Ministry of Defense since 1 December indicate a significant shift of Chinese Communist regular army forces toward the Indochinese border. Nearly 200,000 troops are estimated to be involved. The US officials believe these movements may point to a repetition of the pattern of the Korean war, with native Communist elements fighting the civil war and Chinese forces standing by to intervene rapidly if there are local Communist reverses.
4. **INDOCHINA: French stock seen rising**--In the opinion of US Legation Saigon, the French "have done themselves more good" in Vietnam in the last month than in the past five years. The Legation is convinced that the French are preparing to hand over most administrative functions on a "ready-or-not" basis, while trying to preserve their special economic position. As evidence of French determination, the Legation also points to the formation of a Vietnamese Army, the fact that the French are spurring Bao Dai to action on the basis of plans he can accept in good faith, plans to reinforce French units in Indochina, and improvement in French cooperation with US representatives in Indochina. However, the Legation regards with mixed feelings the replacement of High Commissioner Pignon by General de Lattre de Tassigny, particularly because Pignon has "sincerely held" the concept of an independent Indochina and has advanced its cause.

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