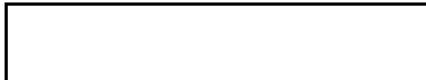


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State Department review completed

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SUMMARY

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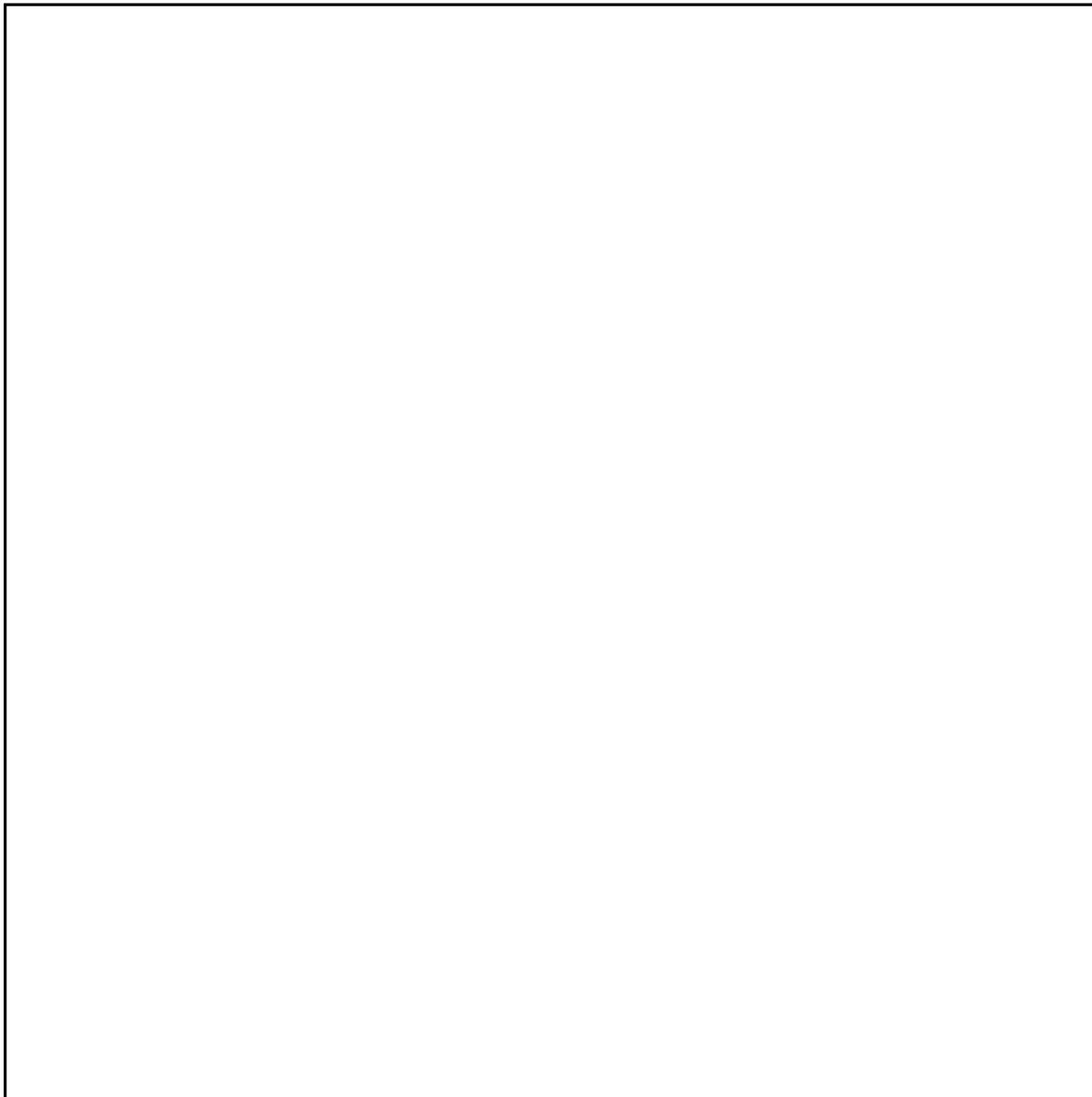
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SOUTHEAST ASIA

2. Indonesian vice president reported to have submitted resignation:

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Indonesian vice president Hatta, despite denials, has submitted his resignation in order to participate in the 1955 election



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[redacted] campaign, [redacted]

The American embassy believes that with the elections at least eight months off, Hatta's resignation would remove a significant element of stability and moderation from the government and strengthen politically disruptive elements.

Comment: Hatta has long been regarded as pro-Western and has close ties with the opposition to the present regime. During the last year and a half he has become increasingly isolated from President Sukarno and the National Party, which controls the government. An American newspaperman told the embassy recently of a rumor that Hatta, disgusted over Indonesia's political and economic deterioration, had informed the cabinet last May he would resign by May 1955.

If Hatta should resign and join the opposition, he would become the principal target of Communist vilification. The Communists and their allies in such an event would probably support Sukarno, creating a situation highly disruptive to national unity. Heretofore, Hatta has sought to prevent such a situation from developing.

NEAR EAST - AFRICA

3. Iraq reported wanting NATO-type arrangement in Middle East:

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The British Foreign Office reports that Iraqi prime minister Nuri Said intends to ask Turkey, Pakistan, and Syria to conclude a pact with Iraq similar to NATO or the Balkan Pact. These arrangements would be open to accession by the United States, Britain, and the other Arab states, and would take the place of the Anglo-Iraqi treaty.

Britain has indicated general sympathy for Nuri's proposals. The Foreign Office says that Britain is now more favorable to the "northern tier" concept, since without Egyptian participation the Arab League cannot provide the foundation for any regional defense organization.

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Comment: If Nuri Said is sincere about these plans, he could thereby advance the cause of Middle East defense more effectively than by simply joining the Turkish-Pakistani pact.

Nuri is currently well situated for taking action on Middle East defense. Parliament is completely under his control, the army is loyal and capable of handling any civil disturbances, and the opposition of other Arab states does not appear to be insurmountable.

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5. Iranian oil commission reported unanimously approving oil agreement:

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The Iranian parliamentary oil committee unanimously approved the oil agreement on 3 October and will present it to the Majlis on 7 October, [redacted]

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Only three deputies and four senators are expected to oppose the arrangement, with a few members from each house abstaining, when the agreement is considered by the Majlis and Senate. A prolonged debate is not expected.

6. Comment on Libyan political crisis:

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Libyan prime minister Ben Halim's government is threatened as a result of the political crisis precipitated by the 5 October assassination by the queen's nephew of Ibrahim Shalhi, palace chamberlain and adviser to the king.

Ibrahim Shalhi, sinister head of the palace clique which has dominated King Idriss, was considered the most influential figure in Libyan politics and was believed to be the real power behind the Ben Halim government.

The extent of the intrigue surrounding the assassination is not clear. There have, however, been recent

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indications of growing opposition in political circles to Ben Halim's autocratic rule.

The Ben Halim government is now engaged in securing ratification of the American base agreement. If the crisis causes the fall of the government, postponement of further action on the agreement appears to be inevitable.

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WESTERN EUROPE

7. Bidault predicts French parliamentary approval of London agreements:

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The French parliament will unquestionably approve the London agreements on West Germany by a large majority, former foreign minister Bidault told Ambassador Dillon on 5 October.

Bidault still regards Mendes-France as utterly untrustworthy and "a prisoner of neutralist groups," and thinks his government will be overthrown during the budget debates at the end of this year. He believes, however--and considers it unfortunate--that Mendes-France will continue to enjoy great prestige as the man who solved the European problem.

Comment: The Popular Republican and Socialist positions will be decisive in the assembly vote, and Bidault's fellow Popular Republican Maurice Schumann has stated that he hopes their party will oppose the agreements. Other Popular Republican leaders and many Socialists may, however, support the London agreements, in large part because of the promise of closer British ties with the Continent.

Key French political parties have congresses scheduled for this month to determine their positions on the agreements.