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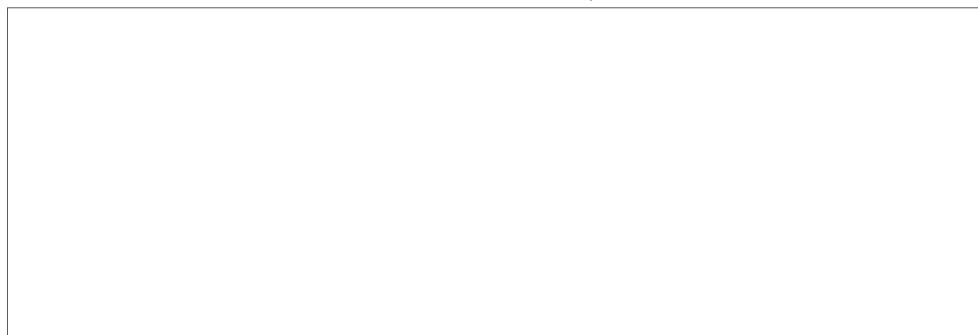
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1. PRESIDENT OF PERU FORMS MILITARY CABINET

The Peruvian cabinet resigned and was replaced by an all-military cabinet on 24 December following rioting and a general strike in Arequipa, Peru's second largest city. Violence broke out as the police tried to disrupt a political meeting of the antiadministration National Coalition Party. The strikers had demanded the resignation of the minister, the abrogation of the Law of Internal Security and the freeing of political prisoners.

Comment

The installing of an all-military cabinet may be considered a preventive measure and an indication that President Odria intends to control the election in June 1956 of his successor. Although the army is generally believed to be loyal to Odria there have been indications of dissatisfaction because of pay and promotion grievances. Odria's announcement of a 20-percent salary increase for the armed forces on 24 December indicates his anxiety to satisfy the army at this time.

Further outbreaks on the part of students as well as strikers may be expected.

2. CHINESE NATIONALIST IRREGULARS IN BURMA

The American embassy in Rangoon is disturbed by recent stories in the local press about Chinese Nationalist guerrilla activities in the Burma border area adjacent to Thailand and Laos. According to one of these accounts, General Li Tse-feng, a top commander evacuated in 1954, has returned from Taiwan to assume command of all the Chinese Nationalist irregular forces in Burma. The embassy fears there may soon be fresh charges that the United States is involved in the activities of the irregulars, particularly if General Li's return is confirmed.

Communist propaganda has often exploited the presence of Chinese Nationalists in Burma, and has recently called attention to the movement of some of these irregulars into Laos--alleging they were sent there by the US. The Burmese are all too prone to accept such allegations and one Rangoon newspaper carried a report in early December that two "white officers" had been observed with the Chinese.

3. PEIPING BACKS MALAYAN COMMUNIST BID FOR "PEACE" TALKS

The first authoritative Chinese Communist commentary on the situation in Malaya seems to be aimed at building up the prestige of the Chinese-led

Malayan Communist movement and at driving a wedge between the British and Malayan chief minister Abdul Rahman, just prior to the latter's scheduled meeting with Malayan Communist leader Chen Peng.

An article on 21 December in the Peiping People's Daily, official newspaper of the Chinese Communist Party, asserts that an agreement to restore peace in Malaya can be reached through talks between Rahman and Chen Peng, provided the British cease their "military offensive." The commentary, implying that a settlement should be left to Asian leaders, reflects a hope of placing the blame on the British for any failure of "peace" talks.

The Communists are aware that Rahman's intention is merely to explain the government's amnesty offer rather than to negotiate with Chen Peng as an equal. They probably hope, however, that Cheng Peng will be able to persuade Rahman that the Malayan Communist Party should be recognized as a legitimate political movement. This would give the party greater opportunity for growth than it can have in its present status as a terrorist organization.

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 26 December)

Nothing of significance to report.

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