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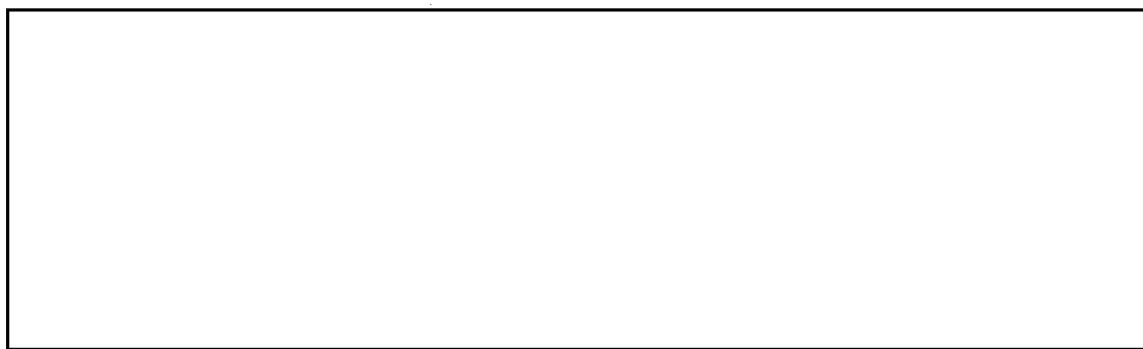
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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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GENERAL

1. Britain expresses reservations on proposed Pakistan-Turkey agreement:

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According to the American embassy in London, the British embassy in Washington has been instructed to express strong reservations on the proposed

American plan to link military aid to Pakistan with a defense agreement between that country and Turkey. The British feel that such an agreement would do nothing to strengthen Middle East defenses, that the gap between the defenses of the two countries could not be filled in the foreseeable future, and that no defense plan for the area could be effective without British forces.

London also fears that the proposed plan would further worsen Pakistani and Western relations with India.

Comment: Despite this reaction to the proposed agreement between Pakistan and Turkey, the British presumably still do not oppose American aid to Pakistan as such. They evidently object to not having been consulted in advance on a plan involving their interests.

FAR EAST

2. Rhee ends threat to use force in demilitarized zone:

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Ambassador Briggs reported on 5 January that President Rhee now calls Foreign Minister Pyun's threat to employ armed police to prevent Indian screening of Korean prisoners a "misunderstanding." Rhee said he would accept General Taylor's offer to include unarmed South Korean police in the neutral zone patrol to watch the Indian headcount.

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Subsequently, Taylor refused General Won's request to send his own military police, who are outside the UN Command, to the demilitarized zone.

Comment: Rhee had indicated to Briggs and Taylor on 4 January that he might withdraw the threat when he said that Pyun's note was merely a suggestion not to be taken too seriously. Taylor's 5 January warning to Rhee that the UN Command was bound by the truce to prevent intrusions in the neutral zone undoubtedly influenced Rhee's decision.

Rhee often uses Pyun as a channel for threats for which he may later desire to avoid responsibility.

SOUTHEAST ASIA

3. Indonesian president supports pro-Communist defense minister:

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President Sukarno supported pro-Communist defense minister Iwa Kusumasumantri during two conferences with military leaders on 31 December, according to the Djakarta press.

Sukarno is said to have announced that the army chief of staff has full authority to deal with the army situation, but that the defense minister's recent appointments of leftist officers to the army general staff would not be canceled.

The American embassy comments that except for the vague statement giving the chief of staff authority to deal with the situation, Sukarno has backed the cabinet and has made no concessions to the moderate faction opposing the defense minister.

Comment: President Sukarno's support of Iwa Kusumasumantri is the heaviest blow yet to anti-Communist army elements.

Four of Indonesia's seven territorial army commanders announced in mid-December that unless the staff appointments of the pro-Communist defense minister were canceled, they would no longer recognize his authority. Although the chief of staff did not concur in the commanders' statement, he also strongly opposed the appointments.

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4. French Foreign Ministry fears effects of Viet Minh successes:

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French Foreign Ministry officials have expressed to the American embassy in Paris fear that the Viet Minh may win short-term military successes in the coming weeks, with a consequent effect on the political situation in France. They believe that even such Communist victories could tip the balance in favor of negotiations to end the Indochina war.

The Foreign Ministry also fears that an approach for negotiations may be made by the Viet Minh through India or Indonesia in order to create further difficulties for France.

Comment: Following Ho Chi Minh's statement in November to a Swedish journalist that he was willing to negotiate, the French government dodged the issue by indicating willingness to consider any offer made through official channels. Domestic pressure would force the French government to consider such an offer seriously. Continued Viet Minh successes, even if only of little military significance, would also increase the demand in France for five-power talks including Communist China.

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NEAR EAST - AFRICA

6. Impact of local anti-Westernism on Iraq's foreign policy:

Current strong Iraqi press and parliamentary criticism of Prime Minister Jamali for his pro-Western attitude is generally preventing him from cooperating with the West.

On 6 December Jamali told Ambassador Berry that a three-hour parliamentary attack on his pro-Western attitude prevented him from urging Jordan to hold armistice talks with Israel. A week later similar attacks kept Iraqi officials from publicly endorsing President Eisenhower's atomic energy proposals. On 29 December Jamali denied publicly any intention of leading Iraq into any Western-sponsored Middle East defense pact. Moreover, in a parliamentary debate on 2 January, he asserted Iraq's independence of Britain and the United States.

The attacks on Jamali and Egypt's current neutralist maneuvers are likely to hamper him in his efforts to obtain military aid from the United States. They will also probably make
25X1A him cautious in supporting any defense pact with Turkey and Pakistan.

7. British ambassador discouraged over Suez negotiations:

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British ambassador Stevenson in Cairo told Ambassador Caffery on 2 January that he was discouraged at the present atmosphere in London. A few days earlier he had recommended that London release to Cairo 15 million pounds in blocked sterling balances on 1 January as was done last year. London replied that only 5 million would be made available.

On 3 January Caffery reported that Stevenson had said, perhaps not altogether seriously, that London seemed to be putting every possible obstacle in his path.

Comment: On his return to Cairo on 17 December Stevenson was to have reopened negotiations. His discouragement and London's reported unwillingness to release a larger amount of Egypt's approximately 165 million pounds of blocked sterling balances accumulated during World War II suggest that there is little hope for a break in the present stalemate. Neither side has shown any indication of making concessions on the base availability and uniform issues.

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EASTERN EUROPE

8. Drop in membership of Hungarian collective farms revealed:

Figures released by Minister of Agriculture Hegedus on 19 December show a decrease in membership and acreage in Hungarian collective farms. Membership is down from over 400,000 to about 260,000 families, and the percentage of the country's arable land cultivated by collectives has fallen from 26 to 20 percent.

This slowdown of the drive toward socialization of agriculture has not been matched in any other East European Satellite, but is similar to developments last year in Yugoslavia following the relaxation of collectivization.

The Hungarian regime adopted highly discriminatory economic measures to discourage widespread peasant withdrawal from collectives last summer and fall. Its unwillingness to use more stringent measures suggests a government fear of antagonizing the peasantry and thus jeopardizing the new incentive program for increasing agricultural production.

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WESTERN EUROPE

9. Vienna shows cooperative attitude on proposed Berlin conference:

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Foreign Minister Figl on 4 January confirmed to the three Western high commissioners in Vienna that his government will appeal "at an appropriate time" for revision of the economic provisions of the Austrian draft treaty and is now ready to discuss the kind of revision to be sought at the Berlin conference. He agreed that a clause in the treaty requiring Austria's neutrality would be incompatible with its sovereignty. He added that no neutrality commitment would be given the Soviet Union without prior consultation with the West.

Figl said that he is addressing an urgent appeal to the four powers for "discussion and settlement" of the Austrian question at Berlin and that he intends to request formal Austrian participation in the negotiations.

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Comment: Figl's attitude should greatly improve the Western tactical position on Austria at the proposed Berlin meeting. While the Austrian position on neutralization seems fairly firm, Vienna is not likely to insist on revision of the economic provisions should this alone seem a bar to a treaty settlement.

10. Bonn doubts success of Berlin four-power meeting:

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Officials of the West German Foreign Ministry have informed American representatives in Bonn that they expect no concrete results from the forthcoming Berlin conference. They believe that the Kremlin will not permit free elections in East Germany, and that any terms it might offer for German unity would be unacceptable to the majority of Germans as well as to the Allies.

These officials caution that the Allies should avoid giving the impression in any way during the conference that EDC is the primary Western policy objective, but instead should show confidence in the German people by limiting their conditions for German unity to free elections and to freedom of alliance for any all-German government.

Comment: While free elections will remain an indispensable condition for unity for all political parties in the West German Bundestag, there is some doubt that the opposition Social Democratic Party and certain coalition deputies would insist on freedom of alliance.

11. Comment on Premier Pella's resignation:

Italian premier Pella's resignation on 5 January resulted from a virtual ultimatum from his Christian Democratic Party against his choice of Salvatore Aldisio as the new minister of agriculture. Pella may believe his badly split party will be unable to agree on a successor; this could result in his being returned to office in a stronger position.

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Aldisio's selection, considered a concession to the Monarchists, had been opposed especially by Amintore Fanfani, leader of the Christian Democratic left wing and himself a former minister of agriculture. Pella had planned merely to reshuffle his cabinet and preliminary conversations had indicated Christian Democratic agreement to basing the new government on cooperation with the Monarchists.

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