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NEAR EAST - AFRICA

3. Comment on continued US aid to Iran:

Iranian Prime Minister Mossadeq's long-standing bias against a strong army may create difficulty for the US in obtaining the written agreement called for under the Mutual Security Act. Although he wishes to obtain American economic help, he disapproves of US military aid and the linking of the two. Accordingly, he will most probably object to those portions of the new agreement which call for the country receiving aid to build up its defense forces and "to contribute to the defensive strength of the free world."

Moreover, if Mossadeq continues in office there is a strong possibility that his attitude may force withdrawal of the American military and gendarmerie missions and thus not only remove an important factor in maintaining Iranian armed strength but also close off an important channel of US influence in Iran.

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WESTERN EUROPE

6. French resist close political relationship between NATO and EDC:

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The French have opposed a suggested joint meeting of the NATO Council of Deputies and delegates from the Paris Conference on a European Defense Community. In a Council of

Deputies discussion of possible ties with the EDC, pursuant to a recommendation of the Rome NATO Council meeting, the French proposed instead that the chairmen of the two groups work out liaison arrangements.

Comment: The French consider that an organic political relationship between NATO and the EDC would be premature at this time since it might prejudice chances for further progress toward European political integration. This position is unlikely to change until Germany's long-term relations with the Western Allies have been settled to French satisfaction. For the present, France favors a close military relationship between NATO and the EDC, through SHAPE.

7. French anxious for immediate action on German security controls:

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The French Government has informed the United States and Britain of its "grave misgivings" over the divergent views of the three powers on security controls against a German resurgence, and has suggested early tripartite conversations at the "highest possible level" to arrive at an acceptable Allied position.

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France argues that Chancellor Adenauer's desire to settle the problem of prohibitions exclusively within the European Defense Community convention would destroy the basis of equality envisaged for the Defense Community.

The French Parliament would be less likely to ratify the European Defense Community treaty if all restrictions on German military production were to be eliminated.

Comment: On the solution of the question of security controls depends not only the realization of the European Defense Community, but also Germany's integration into Western defense. Since the French feel that time is running out on the European Defense Community conference, they are more anxious than ever to obtain a decision.

The French consider that US and British participation in the retention of sanctions is essential in order to remove the threat of German preponderance on the Continent.

LATIN AMERICA

8. Proposed Chilean legislation may be threat to copper agreement with US:

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The US Embassy in Santiago, in a note to the Chilean Government, has pointed out that the enactment of a proposed law would amount to "unilateral abrogation" of the May 1951 US-Chilean copper agreement. This law now has a better chance of being passed than a less drastic government sponsored bill.

The Embassy reports that copper has become a political football during this pre-election period and that there is now widespread opposition to that part of the current agreement which permits Chile freely to dispose of no more than twenty percent of the copper produced by American-controlled firms.

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Comment: The Embassy is presumably referring to a proposed law that would allow the Chilean President to determine the amount of copper the companies must reserve for the State and authorize Chile to make direct sales abroad. Both provisions could militate against certain terms of the US-Chilean agreement.

Such a law could also pave the way for an increased diversion of copper from the US to the Soviet Orbit, particularly since the anti-Communist Chilean Government has no satisfactory controls over transshipments.