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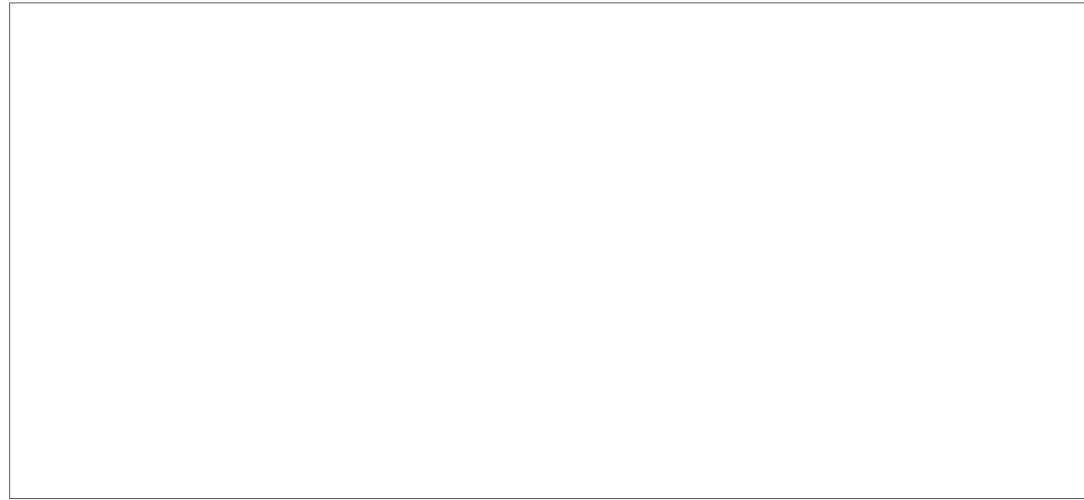
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1. NEW SOVIET DISARMAMENT OFFER ACCEPTS HIGHER ARMED FORCES LIMITS

[Redacted]

The outstanding proposal in the four-point disarmament plan offered by Soviet delegate Gromyko in the UN Disarmament Commission on 12 July was an offer to accept the

maximum limits for the armed forces of the major powers proposed by the United States. These limits are higher than those on which the USSR has been insisting since May 1955. While sticking to the lower figures as a final goal, the USSR agreed as a first step to 2,500,000 men instead of 1,500,000 for the United States, the Soviet Union and China, and to 750,000 instead of 650,000 for Britain and France. The new Soviet plan, however, still limits all other countries to 200,000 men, instead of the 500,000 proposed by the United States.

The USSR will again claim that it has made the concession of accepting a Western disarmament proposal. The lower manpower figures on which the USSR had been insisting were first proposed by the West, and Gromyko charged on 12 July that the West might again raise the levels to avoid agreement. If the USSR carries out both the one-year 1,200,000-man cut announced on 14 May and the 640,000-man cut previously announced, it will then have about 2,400,000 men in its military forces. In any case, the USSR will argue that it has not only agreed to but is already complying with the United States proposal. The US forces currently total about 2,800,000 men.

Gromyko repeated his 3 July proposal for an agreement of all countries not to use atomic or hydrogen weapons and reintroduced suggestions made in May 1955 for the banning of such weapons, the elimination of existing stocks, and an immediate ban on testing. In the London Disarmament Subcommittee talks this spring, Gromyko had subordinated the question of nuclear prohibition to immediate steps toward conventional disarmament. The latest Soviet proposal also calls for "effective control" in both fields.

[Redacted]

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**2. IRAQI CHIEF OF STAFF MAKES "LAST-HOUR"
APPEAL FOR MORE US ARMS**

The American army attaché in Baghdad has reported a conversation in which Iraq's Chief of Staff Rafiq made a "last-hour" appeal for increased US military aid. Rafiq said that "half-measures" will no longer ensure Iraqi allegiance to the West.

The chief of staff said he was unable to explain the "intricacies" of US military aid satisfactorily to Iraqi politicians and junior officers, who compare the American arms program with the large, highly publicized deliveries of Soviet arms to Egypt and Syria. Rafiq said that "under the surface" elements in Iraq are "seething" and that only immediate delivery of arms and material will realign this attitude and prove that Iraqi leaders were correct in siding with the West.

The attaché reports that his contacts with civilians and junior officers confirm Rafiq's apprehensions, and he believes Rafiq is not merely making another attempt to apply pressure.

Comment

By joining the Baghdad pact, Iraq hoped to obtain strong economic and military support which might enable it to replace Egypt as the leader of the Arab world. Disillusionment has been growing for some time as a result of the failure of other Arab states to join the pact. The recent de-emphasis of the military aspects of the pact has probably increased dissatisfaction within the Iraqi army, which is regarded as the symbol of national prestige.

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3. NEGOTIATIONS FOR AN ICELANDIC GOVERNMENT

Several days of cabinet negotiations between the Progressives and the Communist-dominated Labor Alliance on the formation of a new Icelandic government have revealed general agreement on economic policy, but there are differences over foreign policy and the assignment of cabinet posts, according to a Social Democratic source.

The Progressives, with their Social Democratic allies, reportedly decided to enter into negotiations with the Communists primarily because of Progressive fears that the Conservatives might join the Communists in amending the constitution so as to deprive the Progressives of their present over-representation in parliament.

Comment

The Progressive Party authorized its chairman, Hermann Jonasson, to attempt to form a cabinet with the Social Democrats and the Labor Alliance on the basis of equal representation--two posts for each party in the cabinet.

The Communists are eager to participate in a new government in order to gain a decisive influence in the nation's economy. They might for this purpose accept Iceland's continued formal membership in NATO, particularly if some interparty understanding is reached on a policy calling for ultimate withdrawal of American troops.

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4. JAPANESE DIPLOMATS FORESEE NO SOVIET CONCESSIONS IN RENEWED PEACE TALKS

The Japanese embassy in London has expressed the opinion that the USSR has a "very strong" bargaining position in renewed peace negotiations with Japan, and it apparently feels the Soviet Union is unlikely to make any territorial concession beyond its previous offer to return Shikotan and the Habomai Islands. The embassy speculated that after some initial maneuvering the conferees will reach quick agreement, along the lines of the Adenauer formula, to exchange diplomatic missions.

The embassy felt the lack of progress during the previous talks would prejudice the success of a new effort in London. It noted various indications that the talks would be held in Moscow, among them chief Soviet representative Malik's plan to return to the Soviet capital "on holiday" and Premier Bulganin's strong recommendation for Moscow during the recent fishery negotiations.

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5. BRITISH MAKE PUBLIC STATEMENT ON CYPRUS

Prime Minister Eden's statement on 12 July that Lord Radcliffe is to draft a constitution for self-government on Cyprus is the remnant of a broader proposal involving eventual self-determination, which Britain last week abandoned because of Turkey's vehement opposition. There is nothing in the present British statement that will win either Greek or Turkish support. The basic problem of self-determination for Cyprus--which Athens demands and Ankara rejects--remains unsolved.

The move to proceed with development of constitutional self-government in the colony, which appears to have no chance of gaining Cypriot co-operation, is dictated largely by the Eden government's need to meet continuing public criticism.

As recently as 6 July, Foreign Office permanent under secretary Kirkpatrick indicated his view that both the Greek and the Turkish attitudes had stiffened, and implied that the cabinet had no further ideas for British action toward a solution. He said he personally thought the best prospects might lie in some form of partition of the island between Greece and Turkey.

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6. NEW RUMANIAN OVERTURE TO FRANCE

[Redacted] Former Rumanian Liberal Party leader Gheorghe Tătărescu, who was rehabilitated in late 1955, informed the French minister in Bucharest that "the time has come for France to assume her former position of influence in Rumania and act in Rumania as well as in Czechoslovakia and Poland as the link between East and West," according to the American legation in Bucharest. Tătărescu suggested a Franco-Rumanian cultural agreement as the first step.

When pressed by the French minister, the former minority party figure agreed that Rumania had been chosen by the USSR for the mission of attracting France to the East.

Comment Tătărescu presumably is being used to press regime policies. The Rumanian overture is in line with several recent Satellite moves which are part of a general Soviet bloc effort to weaken French support of Western policies. The Czech and Polish premiers, for example, have recently asked French officials for invitations to make state visits to Paris; the French have already invited Premier Cyrankiewicz.

The French generally are eager to take steps to broaden Satellite contacts with the West, but remain suspicious of Soviet bloc motives and can be expected to move with caution.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 12 July)

Nothing of significance to report.

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