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GENERAL

1. Burmese premier supports proposal for UN action on Formosa Strait:

Burmese premier Nu has drafted a statement endorsing President Eisenhower's proposal that the United Nations extend its good offices to bring about a cease-fire in the Formosa Strait.

Comment: While Nehru's reaction to Nu's proposed statement is as yet unknown, Chou En-lai on 24 January repudiated the idea of a cease-fire in the conflict over Formosa and reaffirmed Peiping's determination to "liberate" the island. He cannot be expected, therefore, to concur in Nu's recommendation that the good offices of the UN be utilized to settle the Formosa issue. In Nu's proposal that the UN deal with basic issues rather than merely a cease-fire, Chou may, however, see an opening he can exploit.

SOVIET UNION

2. Estimated production of "W" class submarines exceeded in 1954:

Comment:

"W" class submarine construction at Gorki and Nikolaev during 1954 was 25 percent higher than previously estimated. This suggests that it may be necessary to revise upward current estimates of "W" class production in the USSR which indicate that 42 "W" class boats were to be constructed in 1954, 50 in 1955, and 62 in 1956.

Approximately 90 "W" class submarines, including those produced in 1954, have been completed. At least 46 are operational.

FAR EAST**3. Probable Chinese Communist reaction to presidential message:**

Past Chinese Communist policy suggests that Peiping is more likely than not to move cautiously in response to President Eisenhower's 24 January message to the Congress requesting authority to assist in the redeployment of Chinese Nationalist forces and to "take into account" localities and actions related to the defense of Formosa and the Pescadores.

The Chinese Communists are capable of a large-scale military effort to disrupt an American-assisted withdrawal of the Nationalist garrison from islands of the Tachen defense command. Peiping has thus far refrained, however, from directly challenging American naval and naval air power, and would probably confine itself to harassing action, if any, during an evacuation of the Tachens.

The Communists have long been capable of taking the Matsu and Quemoy island groups against Nationalist opposition alone. In the light of the President's message, Peiping will probably follow its recent Tachens policy of probing for indications of American intentions by gradually increasing the scale of its military activity against the Matsus and Quemoys.

With respect to the President's statement that the United States would welcome United Nations action to end hostilities in the China area, it has always been Peiping's position that the "liberation" of Formosa and other Nationalist-held territory is an "internal affair" in which foreign interference will not be tolerated. Chou En-lai emphatically reaffirmed this view on 24 January, rejecting any UN-sponsored "so-called cease-fire." This is not necessarily Peiping's final position, however, as the Chinese Communists may come to believe that agreement would gain them a seat in the UN and permit them to deal with Formosa later.

4. Chou En-lai reported ready to release airmen for American promise not to overfly China:

The Peiping regime is prepared to release the 11 American airmen if the United States will promise not to permit American flights over Chinese Communist territory in the future,

Comment: The Chinese Communists for years have been denouncing alleged American overflights, and Peiping's propaganda on the airmen's case had suggested this as one of the matters Chou would take up with UN secretary general Hammarskjold.

In addition to the 11 American airmen already sentenced to jail terms for "espionage," Peiping admits holding four fighter pilots who are charged only with "intrusion" into Chinese territorial air.

SOUTHEAST ASIA

5. Sino-Vietnam railroad to be rebuilt using Chinese gauge:

The railroad being rebuilt from Hanoi into Kwangsi Province of South China will be Chinese standard gauge of

4' 8.5" instead of its original one-meter gauge as previously reported.

Chinese locomotives and rolling stock will be used on this line, and Viet Minh rolling stock controlled at Hanoi will use different lines, presumably meter gauge. (Concurred in by ORR)

6. Comment on advancement of Cambodian election schedule:

The Cambodian government decided on 22 January to hold national elections on 17 April rather than in June. This decision reflects the king's determination to head off the budding political campaign of the ex-rebel leader Son Ngoc Thanh.

The king's belief that the opportunistic Thanh is the principal threat to himself and to the Cambodian monarchy has been stimulated by the sympathy which Indian officials have shown Thanh. Indian interest in Son Ngoc Thanh is out of proportion to his real status in Cambodian politics, and is probably based on the belief that, as an antimонаrchist, he exerts a desirable influence.

As early as October, an Indian truce official said he and his colleagues felt Thanh would be an ideal national leader, under whom the country could experience the kind of democracy which India favored. A recent letter from Thanh to the king was reportedly drafted by the Indians.

The Cambodian government attaches great importance to Indian friendship, and is thus restrained from taking direct repressive measures against Thanh. The king is planning to meet this dilemma prior to the national elections by holding a popular referendum on 7 February on whether or not the king has fulfilled his pledge to achieve peace and independence. The probable affirmative results will have the effect of reducing Thanh's influence and discouraging Indian support.

NEAR EAST - AFRICA

7. Iraqis close ranks behind Prime Minister Nuri Said:

Egypt's vituperative campaign against Iraq has produced resentment locally and the closing of ranks behind Prime Minister Nuri Said, according to

Ambassador Gallman in Baghdad. He says the Iraqis are becoming conscious that the difference is not merely over the projected Iraqi-Turkish treaty but that it also represents another round in the Iraqi-Egyptian struggle for Arab leadership.

Iraqi political leaders agree on the need for the treaty, and the press has strongly attacked Egyptian hostility. Opposition in Iraq from neutralist and Communist circles remains largely inarticulate, and the threat of a student strike was quickly dissipated by prompt government action.

Comment: Egypt and Saudi Arabia are clearly working for the overthrow of Nuri as a means of defeating the current Iraqi-Turkish proposals. Seldom in recent years has an Iraqi government been so fully prepared as Nuri's for a test of strength with its Egyptian rival.

It appears that Cairo will not be able to marshal the Arab world against Iraq on this question. A compromise formula of delay is the most likely immediate result. The present Iraqi government appears determined nevertheless to obtain a formal agreement on the proposed pact before parliament adjourns in early summer.

8. New outbreak of Tunisian terrorism anticipated by French official:

The French minister delegate in Tunis has inquired about American reaction to French military suppression of the terrorism which he anticipates if negotiations in Paris break down.

The Tunisian negotiators have returned to Paris with instructions not to make further concessions. The atmosphere in Tunis is pessimistic, and there is little hope that France will give in to Tunisian demands on the issues of police and defense. French authorities have, therefore, taken precautions against terrorist outbreaks.

Comment: French officials in Paris have also indicated the possibility of a breakdown in the negotiations for Tunisian autonomy which opened on 11 September. Premier Mendes-France probably will attempt to delay a showdown with the Tunisians until after the 2 February National Assembly debate on North Africa.

Should the talks fail and terrorism resume, incidents probably would be limited to isolated assassinations.

This approach by the minister delegate suggests that the French are prepared to take even tougher measures than heretofore in the event that the talks break down.