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~~TOP SECRET~~**GENERAL****1. Comment on latest Soviet protest concerning the Middle East Command:**

The Soviet Government's note of 28 January protesting once again the formation of the Middle East Command places unusual emphasis on developments in the Near Eastern area which are unfavorably affecting the Western power position there. The previous Soviet note in November was a part of the continuing diplomatic campaign against the North Atlantic Treaty Organization and the extension of the alliance system to the Eastern Mediterranean.

The latest note seems designed to take advantage of recent events in Egypt and Tunisia, to which the Soviet press has devoted fullest coverage. It aims at encouraging the opposition of Near Eastern countries to the continued assertion, particularly by Great Britain and France, of special interests in the area. The note also seeks to strengthen suspicions among those countries that United States military bases there are intended to divert attention from the continued presence of British and French troops, and that the Middle East Command represents only a device for perpetuating Western "occupation."

Moscow's real concern, however, is revealed by the note's reference to the alleged encirclement of the Soviet Union and Satellites, which it pictures in preparation in both Europe and the Far East, with the Middle East Command completing the ring of military bases around the periphery of the Soviet Orbit.

All these preparations, described by the note as plans for a third world war, are held up to the Near Eastern countries as a warning that their cooperation in Western defensive measures may involve them in global hostilities.

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2. Spanish seek Vatican support against US Protestant activities:

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[Redacted]

As a means of resisting Protestant efforts "to penetrate Spain and Spanish-America," the Spanish Foreign Minister has allegedly suggested to the Papal Nuncio in Madrid that US prelates issue pastoral letters stating that "the great political power of the United States in the world today does not authorize it to introduce dissidence into countries of Catholic unity."

According to a purported message from the Foreign Minister to the Spanish Ambassador at the Vatican, the Nuncio was receptive to the suggestion and promised to transmit it to the Vatican and to the Apostolic Delegate in Washington.

Comment: The Foreign Minister, a prominent lay Catholic, reflects the fundamental concern of the Spanish hierarchy over the potential effects of American Protestant activities on the position of the Roman Catholic Church in Latin America, as well as in Spain.

Top Spanish officials, including Franco, have assured the US Ambassador in Madrid that interpretation of Spanish law regarding the treatment of non-Catholics would be greatly broadened; however, the government has done virtually nothing toward defining the exact rights of Protestants, a step which is essential to make the promised greater tolerance effective.

FAR EAST

3. Dutch-Indonesian discussions reaching a critical stage:

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[Redacted]

A Dutch Foreign Office official has stated that the Cabinet is expected soon to make a formal decision that the Indonesian claim of sovereignty over Netherlands New Guinea is unacceptable to the Netherlands. He believes the Indonesians have already decided that if their demand is not met, they will consider the current talks a failure.

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The Foreign Office official also said that, regardless of the outcome of the New Guinea discussions, the Dutch will be willing to continue the talks on revising the Union Statute.

Comment: Although Indonesia has consistently indicated a desire to pursue a moderate course, domestic reaction to the Dutch refusal to admit Indonesian sovereignty over New Guinea is likely to be sufficiently strong to force the government to withdraw its delegation. Leftist and nationalist elements will press for unilateral abrogation of the Union Statute, but the government will attempt to avoid such action.

NEAR EAST - AFRICA

4. Iranian-Polish trade agreement delayed:

[redacted]

An official of the Iranian Ministry of National Economy has informed the US Embassy in Tehran that the Iranian-Polish trade agreement has been held up because of Polish insistence that Iran include oil among its exports. According to the same official, Iran is refusing to include oil, although Poland has given assurances that it can supply adequate transportation.

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Comment: This Iranian statement appears to have been made with the intention of deceiving the West.

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5. Britain willing to negotiate with new Egyptian Government:

[redacted]

Britain is willing to enter discussions at once on the four-power Middle East Command proposal without any prior Egyptian commitment to accept the proposal in principle.

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The new Egyptian Government must, however, do all in its power to

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halt terrorist activities and avoid other anti-British measures.

Should assurance of such steps be received, Foreign Secretary Eden is ready to announce publicly that the British will not keep troops in the Canal zone indefinitely against the wishes of the Egyptian Government, although in the present situation they will maintain their position there.

Comment: Such a public announcement might provide the face-saving formula necessary for reopening discussion of Anglo-Egyptian defense problems. There is no indication, however, that the two sides are any closer together on such questions as the right of re-entry of British troops, the time schedule for evacuation, or the retention of some British troops in the Canal zone. The Eden statement falls short of meeting Egypt's minimum demands for settlement, since it fails to mention the Sudan.

6. American Ambassador in Cairo underscores difficulties of new Egyptian Government:

The new government of Prime Minister Ali Maher cannot be more compromising on the Anglo-Egyptian controversy than was the recent Wafd Party Cabinet, according to the

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US Ambassador in Cairo. He states that the new government feels as strongly over the recent British military action in Ismailia as did the Wafd Party.

The Ambassador warns that if the British Foreign Office "continues its wishful thinking" in regard to the Egyptian situation, the Ali Maher cabinet will fall and no one can tell who might take over.

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7. Tunisian nationalists adopt policy of sabotage and passive resistance:

[redacted] The present policy of the Neo-Destour Party in Tunisia is to carry on a campaign of combined sabotage and passive resistance, according to a Tunisian nationalist. He asserts that his party was responsible for the sabotage committed during the recent riots.

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A party spokesman said that the Neo-Destourians will go underground, if necessary, but are still determined to have Tunisia's case brought before the United Nations.

Comment: The fairly moderate Neo-Destour Party is the strongest nationalist group in Tunisia. The party is at present seriously crippled, because most of its leaders and several thousand of its members have been imprisoned. This is the first clear evidence that it participated in the recent destruction of property.

WESTERN EUROPE

8. Churchill advocates speed in rearming Germany:

[redacted] Winston Churchill has told US Special Representative William Draper that, if there are continuing delays and difficulties in the European Defense Community negotiations, France should be pressed to accept Germany's admission to NATO.

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Comment: The previous British position, like that of the French, has been that Germany should be admitted to NATO only after the contractual relations and a European Defense Force have come into effect.

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