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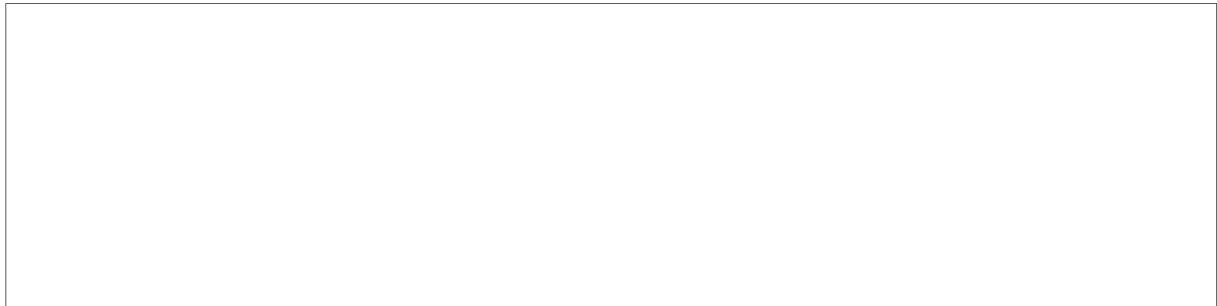
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CENTRAL INTELLIGENCE AGENCY

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LATIN AMERICA

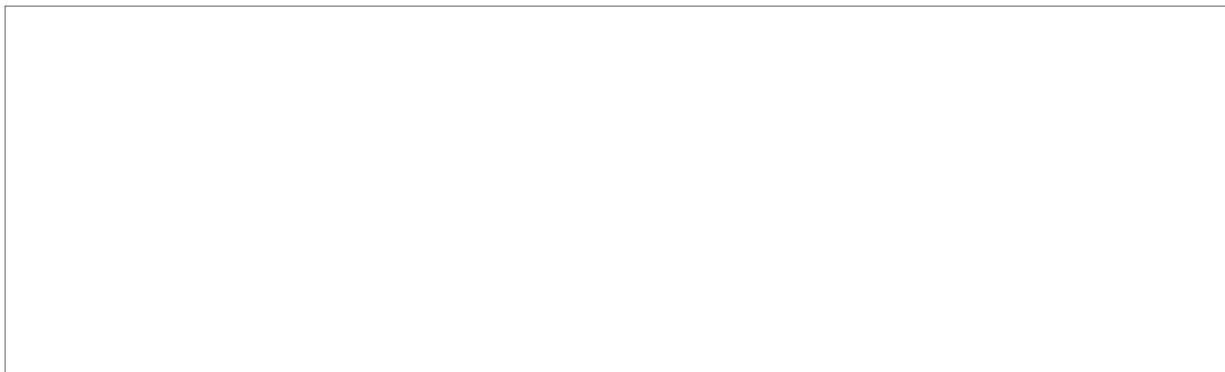
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~~TOP SECRET~~**GENERAL**

1. **USSR informally proposes establishment of diplomatic relations with Saudi Arabia:**



Comment: This would be a logical step in advancing the growing Soviet diplomatic offensive in the Middle East aimed at undermining American defense policy there. The timing of the proposal probably reflects Moscow's judgment that Saudi Arabia might now be receptive because of its hostility to the Turkish-Iraqi pact and its unsettled relations with the United States. Prior to World War II, the USSR and Saudi Arabia had diplomatic relations.

King Saud, basically anti-Communist, is likely to postpone action on this matter. His ultimate decision will probably depend on his personal reaction to American policy at any given time.

SOVIET UNION

2. **Soviet delegation's reaction to President's inspection proposals:**



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Soviet representatives at Geneva were nonplussed by President Eisenhower's proposals of 21 July on exchange of military blueprints and aerial photography. He said, "You Americans have built up a house of friendship and conciliation, and then suffocated us with the bricks that came tumbling down all around us." He said the proposal caused the Soviet delegation a lot of confusion. "We had thought there might be a rabbit in the hat, but we did not expect anything on this scale."

[redacted] while he recognized the proposal as a dramatically contrived propaganda maneuver, he thought--on the basis of the President's performance at Geneva--that it was more than mere propaganda.

[redacted] the possibility that Marshal Zhukov might come to the United States, and added that Khrushchev, whom he described as a man of "infinite curiosity," would also like very much to come. He brushed aside the protocol difficulties the latter's visit would create. [redacted]

3. Mikoyan calls for increased trade with US:

[redacted] Deputy Premier Mikoyan told the American embassy in Moscow that a top-level political understanding should result in an increase in trade between the United

States and the USSR. He particularly stressed Soviet imports of machinery and noted that both he and Deputy Premier Pervukhin recognized that the United States is ahead of the USSR in both design and manufacture of many types of machinery. While not specific as to the types of goods the USSR would export, he said that goods would be found which would interest the United States.

Mikoyan ignored the comment that the present low level of trade was the result of the Soviet policy initiated in the late twenties and noted that a revival of trade would be beneficial to both sides.

Comment: There have been several recent indications that the USSR seriously wants to increase trade with the US.

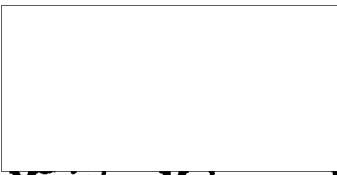
Premier Bulganin, in his report to the central committee on 4 July, sharply criticized Soviet development of tractors and farm machinery, noting that, "We lag behind the best foreign models."

Bulganin's speech, Khrushchev's special interest in agriculture, and the current tour of US farms by a Soviet deputy minister of agriculture may be harbingers of a Soviet effort to arrange large-scale purchases of agricultural machinery in the United States.

Owing to Soviet trade policy and to the lack of suitable Soviet exports to the United States, there is little likelihood of a significant increase of trade over the next few years. (Prepared by ORR)

SOUTH ASIA

4. Pakistani governor general's death expected soon:



Pakistani governor general Ghulam Mohammad is not expected to live beyond the end of July, according to a statement made in confidence by Prime Minister Mohammad Ali to American charge Heath. Mohammad Ali clearly implied that arrangements had been made to announce simultaneously Ghulam Mohammad's death and the appointment by the queen of a new governor general.

Heath comments that Prime Minister Mohammad Ali, Interior Minister Mirza, Law Minister Suhrawardy, and Governor-designate of West Pakistan Gurmani appear to be the leading candidates for the governor general's post. The prime minister, however, has indicated he preferred not to be "held prisoner" as governor general.

Comment: The most likely combination seems to be Mirza as governor general and Mohammad Ali as prime minister.

Suhrawardy does not appear to have the strength to bargain seriously for the prime ministership, though his allegiance would certainly be useful to the government. Mirza does not trust Suhrawardy,

[redacted] but he might be willing to give Suhrawardy a cabinet post more important than his present one.

Gurmani, who has no wide political following, would probably be satisfied with the provincial post he is now slated to occupy.

~~TOP SECRET~~**NEAR EAST - AFRICA****5. Government party seen losing strength in Israeli elections:**

The consensus of political observers in Israel is that the governing Mapai Party and its coalition partner, the General Zionist Party, will lose some

strength in the parliamentary general elections on 26 July. The gainers will be the Herut Party on the right, the Progressives in the center, and Achdut Haavoda on the left. Other parties are expected to retain their present strength.

These observers agree, however, that Israel's next government, like the present one, will be a coalition based on Mapai.

Comment: It seems probable that the new Israeli cabinet will be dominated by the personality of Mapai leader David Ben-Gurion, former prime minister and present minister of defense, who has stated he will reassume the prime ministership.

If Achdut Haavoda replaces the conservative pro-Western General Zionists as Mapai's principal coalition partner, the new Israeli government might take an even more aggressive attitude toward the Arabs and be less amenable to Western influence than it has under Prime Minister Sharett.

LATIN AMERICA**6. Peron reported considering asylum in Uruguay:**~~TOP SECRET~~

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[Redacted]

Comment: Mounting pressure for Peron's resignation is being exerted by increasingly confident opposition groups, and the situation is reported to be potentially explosive. There is now evidence of some type of armed organization of civilians and retired officers. Moreover, an increasing number of young army officers appear disillusioned, despite the army high command's continuing support of Peron.

Peron's reported consideration of Montevideo would appear to be largely influenced by its proximity to Buenos Aires, since there is probably no other country in which he would encounter greater personal hostility. Peron told Ambassador Nufer on 19 July that if he resigned he would continue to act as head of the Peronista Party.

The possibility of asylum for Peron may have been a subject for discussion between Batlle Berres and Peron's Minister of Interior Borlenghi, who fled to Montevideo from Argentina in early July after being replaced because of pressure from the army.

Possible disturbances or demonstrations by labor groups are expected on 26 July, the third anniversary of Evita Peron's death.

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7. Communist involvement in Saigon explosions suspected:

[Redacted]

The American embassy in Saigon reports that the blasting of several electric power substations and the headquarters of the anti-Communist youth organization on

23 July may have been the work of Binh Xuyen or Viet Minh agents. In this connection, it remarks that the distinction between these groups appears to be vanishing in view of information indicating

Viet Minh infiltration of the Binh Xuyen. The embassy also expressed concern that these successful attacks may be a forerunner of the destruction of the main power plant, which would make it difficult for the major portion of the European population to remain in Saigon.

Comment: Other reports have indicated that the Viet Minh is giving aid to the various dissident groups in South Vietnam. Moreover, these blasts appear to have been engineered with great skill.

The Communists have hinted that "something" would happen in South Vietnam if pre-election consultations did not commence on 20 July, and Sino-Viet Minh propaganda has taken on a distinctly tougher tone in the past several days.