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GENERAL

I. French Foreign Office official urges concentration on main NATO objectives:

The US Embassy in Paris reports the opinions of a pro-US Foreign Office official regarding the position of the NATO nations following

Malik's peace proposal. These views, which

are expected to have an important influence on the foreign policy of the next French Government, are: (a) "the Malik proposal and the Soviet willingness to have hostilities cease in Korea (at least for the present) are solid and satisfying evidence of the correctness of the policies pursued by the West"; (b) since the USSR's new "peace aggression" aims to arrest and even reverse the trend toward an East-West military balance, an urgent need exists both to strengthen support for the major task of rearmament and to avoid introducing into NATO deliberations the kind of questions that would "diminish or diffuse such support"; and (c) the "major indispensable task" facing NATO at present, aside from achieving the rearmament goals of the various members, is to insure West Germany's contribution on mutually acceptable terms.

The French official believes that two problems recently introduced into NATO discussions -- membership for Greece, Turkey and Spain, and revision of the Italian treaty -- could prejudice rather than contribute to the strengthening of the West's position.

Comment: This report illustrates French Foreign Office officials' use of every opportunity for exerting pressure on the US to simplify NATO's immediate objectives. These officials will continue to show their irritation at US proposals of new NATO aims, which they often consider are due to over-eagerness and high-handedness on the part of the US. Although there have been no indications of any tendency in the French Foreign Office to relax the rearmament effort because of the Soviet proposal, the task of French Government leaders who are determined to press on with rearmament would be rendered much more difficult if a Korean armistice should be arranged.

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3. Chinese Communists press negotiations for Ceylon rubber:

The Bank of Ceylon has received an inquiry from the Chinese Communists regarding the possibility of opening a 100 million rupee (approximately 20 million dollars) letter of credit to cover shipments of rubber to China. The bank expressed its willingness to open a credit in this amount if full dollar or sterling coverage were provided.

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Comment: This amount is sufficient to purchase about 20,000 tons of rubber, or the equivalent of Ceylon's output for two months. Following the loss of Malaya as a source of supply when the British embargoed rubber shipments to China, the Communists looked to Indonesia and Ceylon as alternate sources. Indonesia recently indicated that it would ban shipments of rubber to China in compliance with the UN embargo resolution. Ceylon, however, not being a member of the UN, still permits the export of rubber to all destinations.

NEAR EAST

4. Iranian Communists demonstrate in Tabriz:

A pro-Communist "Partisans of Peace" demonstration in Tabriz on 6 July organized by four agitators from Tehran drew about 2,000 persons, mostly unemployed and laborers.

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Speakers, claiming this would be the first of a series of meetings, attacked US and UK "aggression" in Korea and recalled the "murder of their friends by the Iranian Army" when the Soviet-supported Azerbaijan "democratic" regime collapsed in December 1946. The US Consulate in Tabriz notes that this is the first open support given even indirectly to the exiled "democrats."

Comment:

This open support by the Peace Partisans of the Soviet-

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sponsored Azerbaijan Democrats, when considered together with the more aggressive tactics used by Communist front groups in recent demonstrations in Tehran, suggests that the Communists are planning to employ a more vigorous policy in Iran.

5. German oil technicians ready to go to Iran:

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As a result of newspaper advertising in Hamburg, applications by Germans interested in employment in the Iranian oil industry have reportedly been coming in at the rate of twenty

per day. The German Federal Government has formally discouraged Germans from accepting such appointments, and the UK High Commissioner has been instructed by his government "to take all possible steps in consultation with his colleagues and with German authorities to prevent German technicians from going to Iran." The US and French High Commissioners have supported the British efforts to discourage Germans from leaving for Iran, but are aware that their efforts will not be entirely effective.

Comment:

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In view of the scarcity of available German technicians, and also because of the active interest of the West in discouraging Germans from accepting such offers, it is doubtful that Iran will get many German technicians.

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