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OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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**1. TUNISIAN ARMS ISSUE STRENGTHENS
GAILLARD GOVERNMENT**

Premier Gaillard's prospects of surviving the 19 November confidence vote on economic policy have improved because of widespread approval of the government's stand against Washington and London over the arms shipments to Tunisia. The rightists, however, are still reluctant to support his proposed tax program. If he does get National Assembly endorsement, the outcry from practically all shades of non-Communist opinion over the arms issue will probably force the government to take a hard line in the Algerian policy debate next week. A spokesman for the Socialist party believes that the arms shipments have set back for the indefinite future Socialist efforts to obtain a more liberal solution to the Algerian question.

There is speculation that the strong reaction of the Gaillard government to the shipments is to some extent a bargaining tactic. Foreign Minister Pineau told Ambassador Houghton in Paris on 16 November that the healing of the French-American break depended to a "decisive degree" on the American attitude in the UN Algerian debate. Pineau also played up the possible "disastrous" effect on French public opinion if American arms are found in the possession of the Algerian nationalists.

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2. WEST GERMANS AND POLES REACH INFORMAL ACCORD ON TRADE

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A source in the West German Foreign Ministry has informed the US embassy that West Germany and Poland have agreed informally to extend their current trade agreement to the end of March 1958, and a German delegation expects to arrive in Warsaw on 25 November for two weeks of trade talks to formalize the extension and negotiate details. In March, the source stated, full-scale trade discussions will probably be held, with the possibility that they may be conducted by the German Foreign Ministry rather than the Agriculture Ministry as in the past. A new type of government-to-government agreement may then be concluded, which could provide the opportunity for the establishment of a German trade mission in Warsaw, perhaps with consular functions.

In the talks this month, Germany expects to agree to a moratorium extending into 1959 on Polish payments of about \$4,760,000 due next year.

Comment West Germany has been exploring ways of developing closer contacts with Poland, which is Bonn's most important trade partner in the bloc. In the last trade agreement, concluded a year ago, a total volume of \$140,000,000 was agreed on for an 18-month period, an increase of 20 percent over the previous trade agreement.

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**3. PRO-SOVIET SYRIAN DEFENSE MINISTER ASSUMES
TWO ADDITIONAL POSTS**

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The appointment of Syria's pro-Soviet Defense Minister Khalid al-Azm to the additional posts of minister of finance and head of the Economic Development

Board puts him in charge of all of Syria's relations with the USSR, except formal diplomatic activities. The finance post has been held by Prime Minister Sabri al-Asali. The Development Board is charged with supervision of the projects covered by the recent Syrian-Soviet economic agreement.

By this move Azm, a bitter rival of leftist leader Akram Hawrani, appears to have strengthened his position at the expense of both Hawrani and Prime Minister Asali. Azm is clearly staking his future--especially his objective of becoming President of Syria--on continued close Syrian-Soviet relations.

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4. SITUATION IN LAOS

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The Pathet Lao formally turned over the administration of the two disputed northern provinces to the government in a public ceremony in Vientiane on 18 November. Later the same day Prime Minister Souvanna Phouma went before a special session of the National Assembly and requested investiture of a 16-man cabinet headed by himself and including two Pathet representatives. Assembly approval is almost certain.

Pathet chief Souphanouvong will be minister of planning, reconstruction, and town planning, and second-ranking Pathet leader Phoumi Vongvichit will be minister of public instruction and arts. Their influence, however, will extend beyond the scope of their substantive posts, and they will be in a position to build resistance to any moves considered disadvantageous to the Pathets during the implementation of the settlement terms.

The Pathets have only symbolically surrendered authority in the two provinces. The actual imposition of government control and integration of 1,500 Pathets into the army may take up to 60 days. The Pathets will doubtless seize on loopholes in the accords in an effort to maintain a paramount influence in the provinces and to integrate their most effective cadres into the army and civil administration. The Pathets, moreover, can be expected to launch a vigorous political campaign immediately to ensure a good showing in the supplementary elections to be held in March to expand the National Assembly from 39 to 59 seats.

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5. INDIA AND PAKISTAN OBJECT TO NEW UN
KASHMIR RESOLUTION

Prime Minister Nehru and the Indian government have found the new Kashmir resolution presented to the UN Security Council on 16 November to be "totally unacceptable," while the official reaction of Pakistan is that it is "rather disappointing." India objects primarily to permitting any discussion of demilitarization or a pleb-

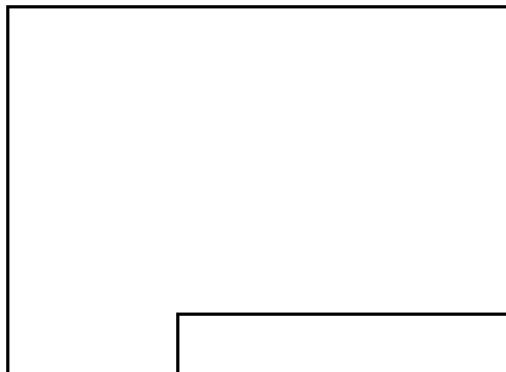
iscite until all Pakistani troops have left Pakistani-held Kashmir. Pakistan feels that the Security Council is merely trying to keep the issue alive without taking it forward. It is opposed to reopening the question of whether India and Pakistan have augmented their military potential in Kashmir since the cease-fire went into effect.

The press of both nations may be expected to follow the critical attitudes of their governments, and that of India may be particularly outspoken.

There is a strong possibility that the USSR, which has consistently supported India, would veto the resolution if it comes to a vote. Should this or a revised resolution be passed without a veto, both India and Pakistan would probably accept another visit by a UN representative, even if they refused to accept the resolution itself.

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6. THE COLOMBIAN POLITICAL SITUATION



The political situation in Colombia is deteriorating as a result of renewed efforts by ex-dictator and right-wing Conservative leader Laureano Gomez to gain control over the Conservative party.

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[redacted] Gomez apparently wants congressional elections, in which he can demonstrate his faction's strength to precede the presidential election.

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The military junta which has ruled Colombia since the ouster of General Rojas last May has promised to turn over the government to civilian control next August if the bitter partisanship between Colombia's two traditional parties--Liberal and Conservative--can be eliminated. The junta plans a presidential election after a 1 December plebiscite on an agreement providing for party parity in government for the next 12 years.

The junta is not likely to postpone the plebiscite, and it seems improbable that Gomez will jeopardize his strong position within the Conservative party by attempting a coup which would be opposed by Liberals, moderate Conservatives, and the top military leaders. The political situation can be expected to continue volatile at least into December, however, and the American embassy comments that the deepening political discord imperils the return to civilian constitutional government.

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7. ARGENTINE DECREE CONVOKES GENERAL ELECTIONS

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[Redacted]

Argentine President Aramburu's decree on 15 November calling for general elections on 23 February and the transfer of power to the

elected government on 1 May probably lessens the chances that right-wing military elements may try to stage a coup to postpone the popularly desired elections. The decree calls for presidential electors to meet on 17 March and provides for continuation of the Saenz Pena electoral system under which two thirds of the seats in the Chamber of Deputies go to the leading party and the other third to the runner-up.

The leading parties at present are the People's Radical Civic Union (UCRP) and the Intransigent Radical Civic Union (UCRI) which won about a fourth and a fifth, respectively, of the total votes in the July constituent assembly elections in which over 50 political parties participated under a system of proportional representation. No notable coalition efforts have been made by the small parties, although some future maneuvering in this direction is suggested by their slowness to announce presidential candidates. Only two minor candidates are thus far opposing the UCRI's Arturo Frondizi. The progovernment UCRP is to choose its candidate on 24 November. The neo-Peronista parties have not announced their candidates, but a recent court decision against banning Peronista propaganda will enable them to campaign on a more frankly Peronista line.

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8. ECONOMIC REORGANIZATION DECREED IN CHINA

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A series of new regulations has been issued by the State Council in Peiping, designed partially to decentralize some branches of industry, commerce, and finance, and to cut the overcrowded, expensive labor force in the nation's major cities.

Peiping has long felt a need for increasing local initiative by allowing local administrators a greater measure of freedom, but has found it difficult to relinquish any significant degree of control over the economy. Peiping says that the present regulations, which appear carefully hedged, were drafted with "extreme circumspection" and took a year to complete.

The new regulations provide that local governments in provinces, autonomous regions, and special municipalities will assume control over a limited range of industrial enterprises, mostly in light industry. The principal heavy industry installations remain under the direct control of the central government. These moves appear similar to those now under way in most of the Eastern European satellites; neither seem so far-reaching as the economic reorganization that is being put into effect in the USSR.

Regulations issued on manpower and wages are intended to make urban employment less attractive and to stimulate the movement of excess urban manpower into rural areas, where it costs only about half as much in terms of money to support an individual. Such a movement has been under way for several months and is beginning to take effect. The arrival of large numbers of workers in the provinces cannot, however, be viewed with much enthusiasm by the food-short peasants.

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