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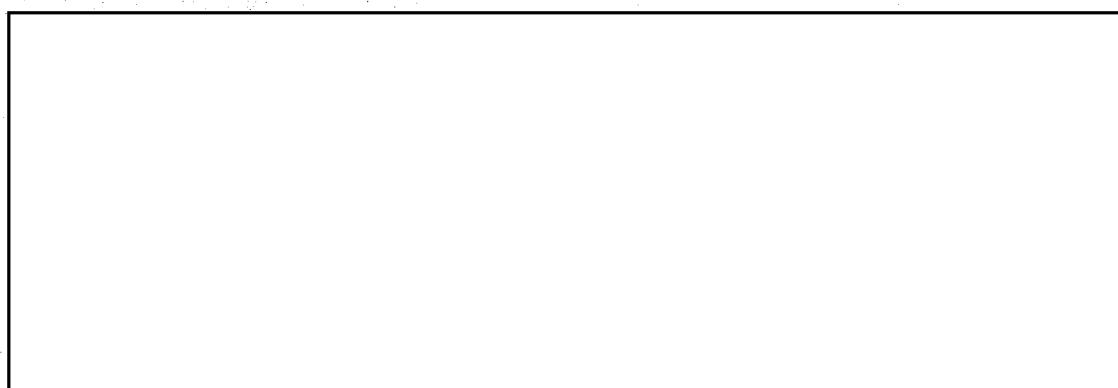
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State Department review completed

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GENERAL

1. Ambassador Bohlen reports on Moscow's answer to President Eisenhower's speech:

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Ambassador Bohlen reports that the statement of the Soviet government on President Eisenhower's speech constitutes acceptance of the proposal for establishing an international atomic energy agency, but that the Kremlin expects further clarification of the substantive proposals. During the talks, the USSR will present its own proposal for a commitment from the participants, to be reinforced by strict international control, that they will not use atomic or other weapons of mass destruction. The Soviet statement emphasizes that this commitment would be the first important step toward the abolition of atomic weapons.

Bohlen stated that in the body of the document the president's substantive proposal received a negative response on the grounds that only a small amount of fissionable material would be turned over to the proposed body and that since there was no provision for limiting the use of atomic weapons, the atomic race would not be halted.

Comment: The Soviet statement gives no hint that Moscow intends to go further than its previous proposals in the UN or that the USSR is prepared to accept an effective plan for international control, inspection or ownership of atomic or thermonuclear installations.

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SOVIET UNION

2. Soviet official indicates agreement to four-power meeting:

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The chief of the German department in the Soviet Foreign Ministry told the Swedish ambassador that he thought both Berlin and 4 January would be acceptable to the Soviet government for a four-power meeting.

Ambassador Bohlen comments that there is no way of assessing what weight should be given to this casual statement.

Comment: There have been other indications that the USSR would agree to a four-power foreign ministers meeting but diplomatic hints and propaganda have suggested that the Kremlin preferred a date later than 4 January.

SOUTHEAST ASIA

3. Comment on Communist call for increased military action in Malaya:

The Malayan government announced on 18 December that it had knowledge that the central committee of the Malayan Communist Party had several months ago called for an intensification of military activity. The Communist order was cited as a possible explanation for a recent slight and localized increase in terrorism.

A resumption of terroristic activity on a larger scale may be in prospect. The Communists are believed to have used the past year and a half for building a broader base through political subversion, for improving their food supply, and for military training. A document captured nearly a year ago specifically cited this period as one of study and preparation for further terrorism.

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NEAR EAST - AFRICA

4. Dissolution of Majlis to hasten new elections:

The shah's dissolution of the rump Majlis and the Senate, apparently at the insistence of Prime Minister Zahedi, was a move to make immediate elections possible in Iran. The decision to bring about early elections probably arose from Zahedi's desire to have a parliament available to approve any future oil settlement as well as to aid in advancing his domestic reform program.

The electoral lines are not yet sharply drawn. Sources close to the shah and the prime minister, however, report that these two have selected lists of candidates, on many of whom both agree. The army can be expected to ensure the election of government-backed candidates in many areas.

The opposition will probably be led by Baghai and Makki, who, however, no longer enjoy parliamentary immunity and are thus subject to arrest at any time. It is likely that Tudeh activity will be expressed primarily in collaboration with non-Communist groups, notably the National Resistance Movement.

A spokesman for the government has announced that it hopes to have a quorum of 69 deputies elected within two months.

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5. Comment on sentence of former prime minister Mossadeq:

The decision of the Iranian military tribunal to sentence former prime minister Mossadeq to three years of solitary confinement appears to have been influenced by the shah's public pardoning of Mossadeq for offenses against the throne.

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The three-year sentence may, in view of Mossadeq's age, remove him permanently from political life. His continued presence within the country, however, will be a constant reminder to his adherents of his potential availability and invite action to free him. His imprisonment will be a continuing threat and a matter of constant concern to the government. Mossadeq's death in prison would make him a martyr, just as his execution would have done.

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WESTERN EUROPE

6. French presidential stalemate revives talk of coup:

As the deadlock in the French presidential race continues, popular disgust with parliamentary bickering is rising sharply. Responsible newspapers of various political shades have begun to discuss seriously the possibility of a dictatorship, whereas last June, during the prolonged cabinet crisis, talk of a prospective military coup to establish Marshal Juin as dictator was dismissed as rumor.

Regardless of the outcome of the presidential race, the stability of the Fourth Republic has been further shaken. An additional step toward the disintegration of democracy in France is feared when the search for a new cabinet is undertaken following the presidential election.

Even if the National Assembly were to agree to dissolve, under the present electoral system, new elections for the National Assembly offer no guarantee of a solution to the problem. Any attempt to find a substitute for the present system is sure to lead to a prolonged battle.

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7. Comment on Italian premier's threat to resign:

Italian premier Pella's threat on 20 December to resign unless assured "complete and unconditioned support" from his Christian Democratic Party suggests that he wishes to use the threat of new elections to frighten party leaders who have been critical of him into giving him solid support. He may also hope to extract additional American support for his government by giving the impression that the only alternative is a cabinet in which Communist sympathizers would participate.

Former premier De Gasperi and former defense minister Pacciardi have told Ambassador Luce that the present political situation is dangerous because the government has only an unsure majority in parliament and has developed no positive program for which to rally support. They consider that a government move to the right, which De Gasperi says is already being made, would fail and would lead to Communist gains. Both believe the country as a whole is anxious not to undertake new elections at this time.

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LATIN AMERICA

8. Guatemalan president plans continued collaboration with Communists:

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Guatemalan president Arbenz made clear to Ambassador Peurifoy on 16 December that he intends to continue to collaborate with the Communists. He displayed his deep feeling against the United Fruit Company, and said that it would be better for Guatemala to be dominated by the Communists than by the company.

Regarding his friendship with Guatemala's top Communist leaders, Gutierrez and Fortuny, Arbenz said that they were "honest" and served Guatemalan, not Soviet, interests. He said that they had gone to Moscow "merely to study Marxism, not necessarily to get instructions."

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Peurifoy comments that if Arbenz is not a Communist, he "will do until one comes along."

Comment: The unification of Guatemalan labor under Gutierrez and the united front policy of Fortuny's Communist Guatemalan Labor Party have been widely heralded as triumphs for international Communist strategy.

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