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SOUTHEAST ASIA

1. French authorities in Indochina predict Communist bid for "free elections":

[Redacted] French authorities in Saigon believe that Communist spokesmen at Geneva will demand the holding of elections in Vietnam without outside interference,

[Redacted] The authorities state that the Viet Minh would undoubtedly win such an election held immediately after a truce.

Bao Dai's continued refusal to hold elections for a national assembly has weakened the position of his government and increased the possibility that non-Communist Vietnamese will respond to seemingly reasonable Communist election proposals.

These French officials also believe that failure of the Geneva conference would probably be followed by a stepped-up Communist military effort in Indochina.

[Redacted] fears in this regard may make the French more susceptible to Communist propaganda.

2. Burmese government party opposed to negotiated settlement in Indochina:

[Redacted] Kyaw Nyein, leading member of Burma's Socialist Party, which controls the government, told Ambassador Sebald in Rangoon on 9 March that his party believes negotiations with the Viet Minh in Indochina would be a fatal mistake. He is convinced that the popularity of Ho Chi Minh is such that the Viet Minh would win any national election.

According to Kyaw Nyein, the Burmese Socialists consider it essential that a strong Magsaysay-type national leader be found who would not be tied to Bao Dai and would be capable of developing a genuine independence movement in Vietnam.

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Sebald believes that Kyaw Nyein feels it essential that the French military effort continue until nationalist military and political forces are sufficiently strong to assume full responsibility.

Comment: Kyaw Nyein's realistic remarks are the strongest indication yet that the Burmese government has reversed its original view that the Viet Minh is essentially a nationalist movement not dominated by Moscow. They undoubtedly reflect the fear that a French withdrawal would increase the Communist threat to Burma.

3. Burma trade talks with Moscow and Peiping near completion:

Negotiations for trade agreements with Communist China and the Soviet Union are practically completed and will be announced shortly, according to Burma's acting foreign minister. He described the pacts as "enabling" agreements, on the basis of which individual transactions will subsequently be negotiated.

The official stated that Burma is primarily interested in finding new markets for its rice. The basic agreements, however, will include "strategic materials," the nature of which he did not specify. He was confident that Burma would not be "caught in the Communist economic net."

Comment: Burma initiated the trade talks last fall when it had large stocks of unsold rice on hand. The sale of a large part of these stocks to India has at least temporarily reduced the pressure to find new markets. Rice is currently one of Peiping's major exports and it is unlikely the Communist countries will take enough of Burma's rice to reduce its dependence on traditional customers.

Burma does not produce significant quantities of any strategic materials that the Orbit urgently requires.

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NEAR EAST - AFRICA

4. Shah angered by Zahedi's rigging of elections and criticism of army:

[Redacted]

Minister of Court Ala told Ambassador Henderson on 6 March that relations between the shah and Prime Minister Zahedi were extremely tense. Zahedi "had had the impudence" to criticize the state of the Iranian army and high-ranking officers in a letter to the shah, who reportedly was infuriated. The shah informed Zahedi that he would not be allowed to exercise any influence over the armed forces.

Ala also said that Zahedi had rigged the elections in such a brazen manner as "to alienate the decent elements of the country and damage the reputation of the shah." In the face of the shah's advice, according to Ala, Zahedi was filling the Majlis and Senate with corrupt and notoriously pro-British individuals.

Comment: The shah assumed active control of the armed forces when Mossadeq was removed, and Zahedi has been by-passed on nearly all army matters. The political activities of Chief of Staff Batmangelitch, who has attempted to undermine Zahedi's position, have contributed to the hostile relations between the shah and the prime minister.

Despite serious friction over election tactics and army control, the shah and Zahedi are dependent on each other in the present situation. Barring a sudden break because of personal pique, they will probably continue working together, at least during the imminent oil negotiations.

5. Revolutionary Command Council plans to avoid elections in Egypt:

[Redacted]
an absolute victory, [Redacted]

The Revolutionary Command Council will not permit elections in June for a constituent assembly, as publicly announced, except in the "highly unlikely" event that it can foresee

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~~TOP SECRET~~**Comment:**

[redacted] indicated that the council has no intention of relinquishing any authority to an elected assembly, despite the current lip service given to restoring constitutional government by 23 July 1954, the second anniversary of the coup deposing Farouk.

EASTERN EUROPE**6. Work resumed on several Satellite industrial projects:**

[redacted] work has been resumed on six Rumanian hydroelectric power stations, several of which are located in one of the major Rumanian coal-producing areas.

Comment: The projects now being resumed in Rumania and Bulgaria form an important part of their new investment programs, which call for the concentration of heavy industrial investment in the key mining and power sectors where critical shortages exist. When the "new course" was announced in the Satellites in late 1953, construction on a number of major projects was halted, pending a reduction and reorientation of the investment program.

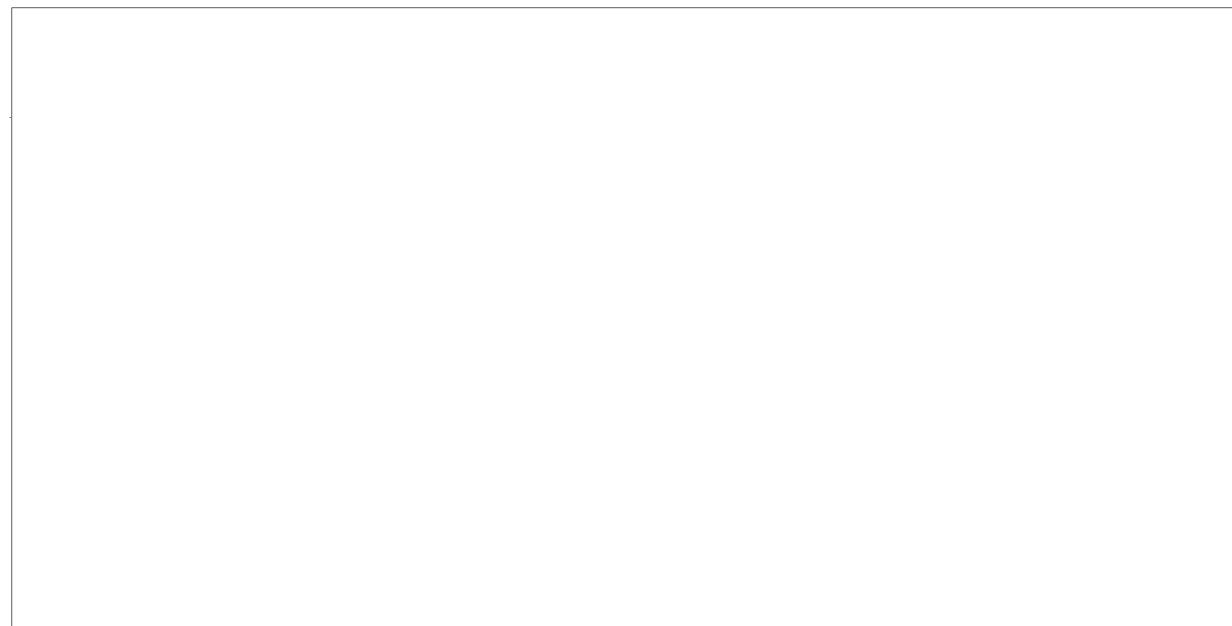
There have been no reliable reports, however, of a resumption of work on such long-term projects as the Danube-Black Sea Canal.

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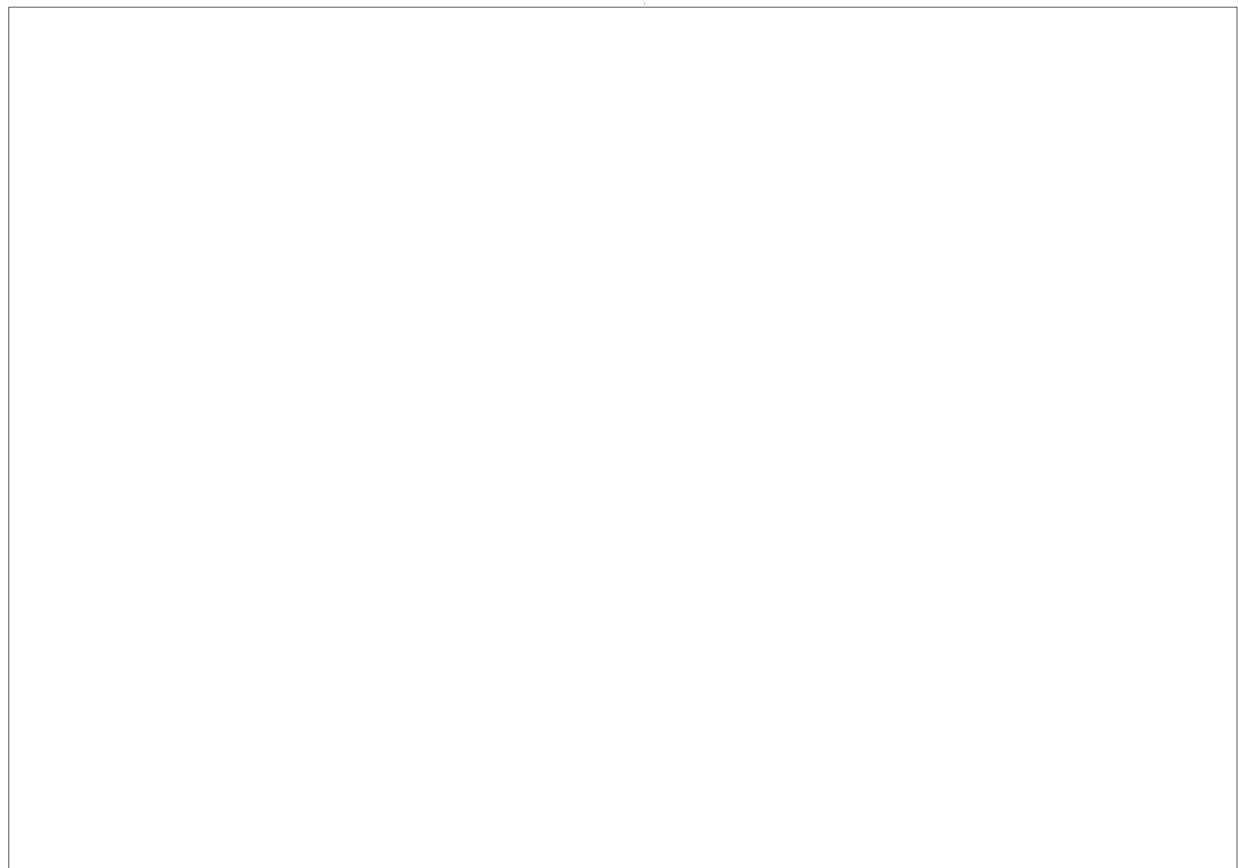
WESTERN EUROPE

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