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1. FRENCH PREMIER-DESIGNATE GUY MOLLET

[Redacted]

Socialist leader Guy Mollet stands a good chance of forming a French government. He is nevertheless having some difficulty in getting agreement

within the Republican Front on the distribution of cabinet posts, and he still has no assurance of support from the Faure-Pinay bloc, although the Popular Republican Party seems increasingly inclined to back him. Without some support from right-center parties, Mollet will be obliged to accept Communist votes.

Mollet is a supporter of European integration, is strongly anti-Soviet, and believes firmly in a militarily strong Western alliance. Although he has on occasion criticized elements of American policy, his friendship for the United States is well established.

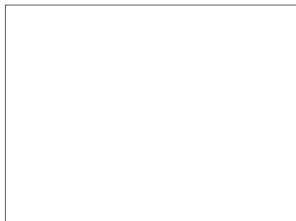
His socialism tends to be pragmatic rather than doctrinaire, and he is reportedly against a rapid increase in nationalization. Nevertheless, on social and financial policies, which figure primarily in Socialist-Communist competition for worker support, his position raises fears of inflation among businessmen and conservative political leaders.

Mollet can be expected to hold the line against Communist participation in policy formation; but the Communists can, by raising the church-school issue or through widespread wage demands, play on the divisions he hopes to eliminate between his own party and the right-center. He will have to rely on the right-center for support on foreign policy.

[Redacted]

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2. FINNISH GOVERNMENT RESIGNS



Premier Kekkonen submitted the resignation of his Agrarian-Social Democratic cabinet to President Paasikivi on 27 January after the Social Democrats withdrew in protest against an increase granted in the prices of dairy products. [redacted]

[redacted] the withdrawal was also prompted by Socialist resentment of the premier's attempts to use recent developments in Soviet-Finnish relations, such as the return of Porkkala, to further his own candidacy for the presidency in the 15 February electoral college balloting.

The outgoing government may be asked by Paasikivi to remain in office in a "caretaker" capacity until a new president has been chosen. Both the Agrarians and the Social Democrats have a strong interest in retaining control of the government in order to protect farmer and trade union interests. No party is likely to risk popular disapproval by advocating collaboration with the Communists, who have not been represented in the government since 1948.

[redacted]

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3. CONGRESS PARTY'S NEW PLAN FOR REORGANIZATION OF STATES

Prime Minister Nehru and Congress Party leaders, influenced by rioting in Bombay and other cities, are apparently seeking an alternative to the plan for dividing India into 16 linguistic states. They are now intensively campaigning for a reorganization of India into only five regional divisions.

This campaign is rapidly gaining acceptance among groups with a wide range of interests, including local Congress Parties, the Praja Socialist Party, and the rightist Jan Sangh Party.

No strong opposition to the new plan has been expressed. The Communist Party is the only one opposed to merger. Its opposition to the government may diminish the feeling of rapprochement between India and the USSR that both the party and Moscow have been trying to create.

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THE ARAB-ISRAELI SITUATION

[redacted]
27 January)

An Israeli spokesman stated that Egyptian antiaircraft fired on but did not hit an Israeli plane near the Gaza strip. (Press)

The ex-mufti of Jerusalem is trying to organize with Saudi Arabian financing and under joint Egyptian-Syrian direction two units of guerrilla troops from among Palestine refugees, [redacted]

[redacted] These units, presumably based in Syria and Jordan, would be used as terrorist or shock troops against either Israel or Jordan. The mufti plans also to organize a brigade of guerrilla troops based in Egypt. [redacted]

[redacted] the ability of the Israelis to utilize jet aircraft of recent design without foreign expert assistance is somewhat dubious. [redacted] about half of the 22 recently acquired Ouragan jet fighters are grounded owing to the use of contaminated fuel.

General Glubb Pasha, commander of Jordan's Arab Legion, has told [redacted] that Israel is likely to initiate hostilities this spring if "constructive action" is not taken before then by the West. He said the Israeli attack would probably be a ten-day offensive with the Jordan River as the objective. [redacted] British troops could not arrive and the Security Council could not intervene effectively within that time. [redacted] also estimated that Egypt would not have its new war material effectively integrated into units until 1957. [redacted]