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~~TOP SECRET~~**FAR EAST****1. Chinese Communist leaders encourage Anglo-American split:**

British Labor Party delegates were told in their unprecedented three-hour interview with Mao Tse-tung on 24 August that the United Kingdom should dissociate itself from American policies in both Europe and the Far East, according to the British chargé in Peiping. Mao suggested that Britain would have to decide between friendship with the United States and friendship with China. He appeared to be in good health and mentally vigorous.

In conversations with members of the Labor Party delegation at the British's chargé's dinner party, Premier Chou En-lai said it was very necessary to increase friendship between China and the United Kingdom and for this purpose Peiping would soon propose sending a chargé to London, through whom the Chinese hoped to keep contact with their "Labor Party friends."

Comment: Peiping has been attempting to exploit the Labor visit both to influence British policy in the hope of further isolating the United States on Asian issues, and to give the impression of widening divergences between London and Washington.

NEAR EAST - AFRICA**2. Israeli purchase of tanks from Philippines reported:**

Israel has contracted to buy sixty-nine 32-ton war surplus tanks from the Philippines.

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[redacted] the tanks are classed as scrap, [redacted] the Israeli government has had them inspected and plans to recondition them.

WESTERN EUROPE

3. Adenauer opposes sovereignty without defense arrangement:

[redacted] According to West German deputy foreign minister Hallstein, Chancellor Adenauer is firmly opposed to implementation of the Allied-West German contractual agreements without EDC or some alternative arrangement providing for a West German defense contribution.

Comment: The right to rearm is seen by Adenauer as an essential characteristic of sovereignty. His position with reference to the contractual agreements, which grant Bonn virtual sovereignty, is evidently in response to suggestions by Premier Mendes-France that West Germany be granted sovereignty without delay except in military matters. Such a step would leave the Allied Military Security Board in control of German arms production until the defense issue is resolved.

Anglo-American plans have envisaged sovereignty for West Germany soon after a refusal by France to accept EDC, reserving the question of German rearmament. Adenauer apparently believes that such a formula would enable France to block indefinitely the German right to rearm.

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LATIN AMERICA

4. Stability of Guatemalan government threatened:

A widening rift between Guatemalan junta president Castillo Armas and hitherto loyal adherents was revealed in a conversation Ambassador Peurifoy had on 26 August with Juan Cordova Cerna, a leader of Castillo's liberation movement.

Cordova, who has been conferring with anti-Communist leaders and army officers, stated that he found a complete lack of confidence in the government. Reporting the existence of another army plot, he said he considered that drastic, sudden measures should be taken to clean out the army. The junta, he added, should then be reorganized to replace Colonel Monzon and Major Oliva with two civilians who could "dominate" Castillo.

Although Castillo has rejected the suggestion of immediate action against the army, Cordova is gaining military backing and said he plans to force Castillo to accept his guidance or face ouster.

Comment: Castillo, not yet certain of firm army support, apparently still feels dependent on Colonel Monzon, whose loyalty, though suspect, was instrumental in maintaining the junta during the revolutionary attempt on 2 August. Meanwhile, the various anti-Communist elements remain divided, and Castillo has evidently made no effective contact with the non-Communist liberals who supported the Arbenz government. His popularity is threatened by indiscriminate dismissals and the growing disillusionment of anti-Communist labor leaders.

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