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GENERAL**1. Comment on Communist reaction to President's Formosa message:****Moscow**

In its first extended commentary on President Eisenhower's message to Congress on Formosa, Moscow maintained its previous cautious attitude on this issue. Unlike Chou En-lai, who had on 24 January rejected the principle of UN intervention, Soviet commentators limited their criticism to questioning the sincerity of the United States in proposing a cease-fire solution.

As in the past, Moscow made no military commitment to assist Communist China in carrying out its announced intention to liberate Formosa. It continued to stress that this is an internal affair of the "great Chinese people," who have the "sympathy and support of all peace-loving peoples." By not categorically ruling out a cease-fire solution, Moscow left itself room to maneuver. ()

Peiping

Peiping radio's first commentary on the President's message hints at a possible modification of Chou En-lai's earlier emphatic rejection of United Nations action to secure a cease-fire in the China area.

The commentary interprets the presidential message as seeking authority for "intervention" on behalf of the offshore islands as well as Formosa and the Pescadores and for "aggression" against the China mainland. Peiping denounces the message as "a serious step in preparation for a new war," and asserts that it "will greatly increase tension. . . and the new war crisis."

Instead of explicitly rejecting the possibility of UN action as an affront to Chinese sovereignty, however,

as Chou did on 24 January just prior to issuance of the President's message, Peiping's 27 January commentary follows the evasive line set by Moscow. The President is charged with "deceptive talk" about a cease-fire and with expressing a "hypocritical welcome" for UN action.

This commentary does not provide a firm basis for believing that Peiping will revise its official position--that "liberation" of all Nationalist-held territory is an "internal affair" in which no foreign interference of any kind will be tolerated. It is conceivable, however, that Peiping has come to perceive certain disadvantages in persisting in an aggressive course at this time and certain possibilities for exploitation of UN action.

FAR EAST

2. Comment on unusual activities of Chinese Communist air force:

An unknown number of Chinese MIG-15 jet fighters moved on 16 January from the Yalu area in Manchuria to bases in North China near Peiping. It seems very likely they will continue on to East China to increase air strength near the Tachens.

[redacted] in Shanghai
 [redacted] new antiaircraft positions were being established near the city, and that there were rumors that "squadrons of MIG's are being rushed to the coastal defense area."

SOUTHEAST ASIA

3. Laotian prince wants clear-cut Western guarantee to protect Laos:

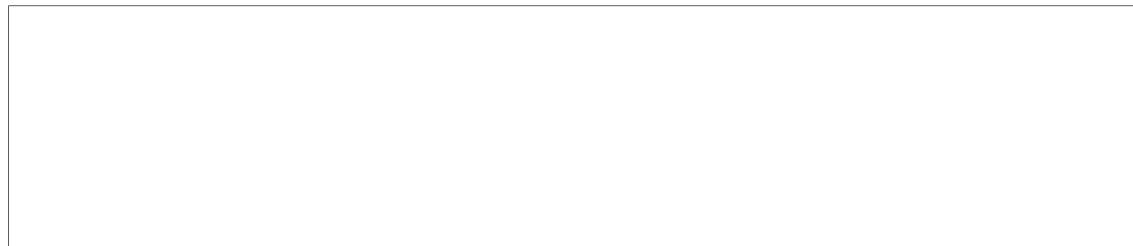
[Redacted] Laos' most influential figure, Crown Prince Savang, says the Communist-supported Pathet Lao has entrenched itself in northern Laos as a result of the cease-fire forced on Laos by the Geneva agreement. He went on to express to the American minister his view that the Manila pact powers should mend this situation with an unambiguous assertion that no violation of Laos' territorial integrity will be permitted.

Savang believes such a declaration would mean the difference between Communist abandonment of the Pathet Lao, which the royal government could then easily disperse, and the progressive infiltration and ultimate loss of Laos. Nevertheless, he rejected the American minister's suggestion that the Laotians deal more vigorously with the Pathet Lao.

Comment: The principal obstacles to the elimination of the Pathet Lao are the government's limited military capabilities and the pressure exerted on the government by Indian truce officials to come to terms with the Pathet Lao.

Savang's willingness to continue negotiations with the Pathet Lao reveals that even a most stalwart anti-Communist sees no immediate alternative to such a course.

NEAR EAST - AFRICA

4. Iran not ready to join Middle East defense organization:

Iran recognizes such a defense system as indispensable and knows that participation some day will be in its interest. However, Iran is "anxious above all not to do anything which might jeopardize the Iranian-Soviet agreement."

Comment: An Iranian-Soviet agreement settling long-standing border and financial disputes was initiated in December and is awaiting ratification. So far as is known, Iran did not make any political commitments in return for the agreement.

The Shah has used Iran's position as a connecting link between Turkey and Pakistan as an argument for greatly increased American aid. Although Iran's pro-Western orientation is clear, its spokesmen in recent months have repeatedly indicated that they are not yet ready for a formal alignment.

5. Turkey assumes more aggressive role in effort to align Arab states:

Turkish prime minister Menderes has told Ambassador Warren that he is in contact with the Lebanese, Syrian, Jordanian, and Libyan governments and has reason to believe that they will support the proposed Turkish-Iraqi pact.

Menderes said that the critical stage of the Cairo conference of Arab leaders has passed and that it is time to seize the initiative from the Egyptians in influencing the other Arab states. He believes that Egypt has failed to subvert Iraqi public opinion and cause the overthrow of Nuri Said and has therefore turned its propaganda attack on Turkey. He said Ankara will warn Cairo against Egyptian propaganda attacks on Turkey's Western orientation.

Comment: Menderes' activity may signal the opening of a new and possibly decisive stage in current efforts to gain Arab support for Western defense in the Middle East.

6. Comment on death sentences in Cairo Zionist spy case:

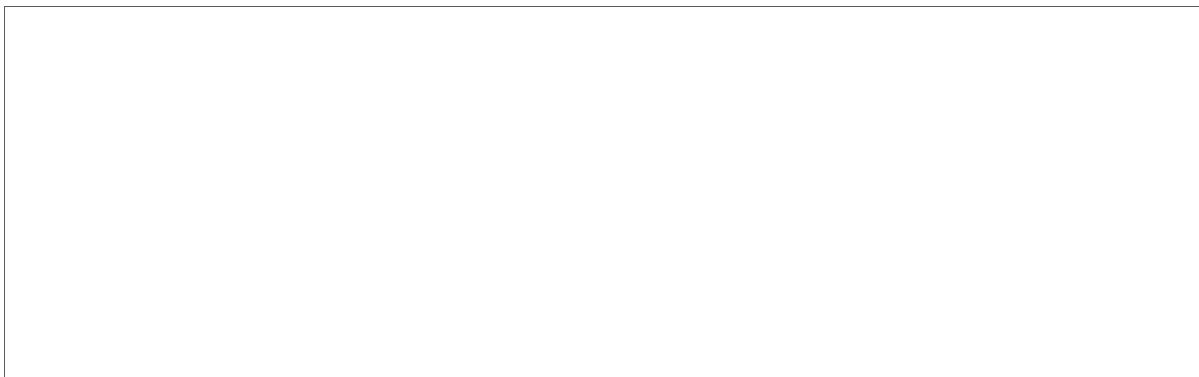
Egypt's decision to sentence to death two of the 11 Zionists tried on charges of espionage can be expected to precipitate a new crisis with Israel, which has displayed great concern over the trial.

Despite Israel's warning to the French and Turkish ambassadors that "armed conflict" with Egypt might result if any of the accused were executed, this is not anticipated. Frontier reprisals and a strong diplomatic and propaganda campaign against Egypt, however, are likely if the condemned are executed.

The commutation of the Zionists' death sentences might, however, invite internal repercussions, since the regime executed six members of the Moslem Brotherhood in early December.

WESTERN EUROPE

7. Italian Communists reported planning "great struggle" against Paris accords:



Italian foreign minister Martino told the American chargé in Rome on 25 January that it is apparent from the first sessions of the Senate Special Commission on the Paris accords that the Communists intend to place every obstacle possible in the way of ratification. He added, however, that there is still a good prospect for a completion of the ratification process by the end of February or early March.

Comment: The Paris accords were approved by the Chamber of Deputies in December. The Communists put up only feeble opposition in the lower house, because, according to various reports, they were convinced the accords would pass and therefore decided to save their major effort for an attempt to influence the Senate.

A strike called by the Communists on this issue would probably be poorly supported in view of the average Italian worker's lack of enthusiasm for agitation on political issues.