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NEAR EAST - AFRICA

3. Mossadeq again rejects possible use of British technicians:

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Prime Minister Mossadeq has stated emphatically to Ambassador Henderson that he would never agree to the re-entry of British oil technicians into Iran. If an agreement with the International Bank were contingent upon the return of the British, however, he would retire rather than block a settlement. Someone else, Mossadeq added, could take the responsibility for Iran's future.

Comment: One of the main points blocking an agreement between Iran and the International Bank is Iranian insistence that no British technicians should be employed. The Bank holds that it should be free to hire any personnel necessary.

4. Iraqi Prime Minister may soon resign:

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Iraqi Prime Minister Nuri Said is about to resign, [redacted]

[redacted] Since Parliament has ratified the new oil agreement with the Iraq Petroleum Company and since the Middle East Command issue is being "soft-pedalled for the present," Nuri, who has held the

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premiership for over a year, is reported eager to let another Iraqi leader dissolve Parliament and supervise the holding of new elections.

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Comment: The Iraqi Regent reportedly has summoned political leaders for consultations on the formation of a new government which would supervise elections if Parliament is dissolved in May.

Any forthcoming change of cabinet in Baghdad is not likely to alter Iraq's generally pro-West alignment.

WESTERN EUROPE

5. Italy agrees to Trieste elections:

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Italy is in agreement with scheduling the Trieste elections for 25 May, the date set for the local elections in southern Italy, provided they are held under Italian law.

Italy has dropped its earlier objections to the elections because it feels that an impasse has been reached in its negotiations with Yugoslavia.

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Prospects for a victory of the pro-Italian democratic parties in the Trieste Zone A elections may be jeopardized by the Catholic Action group, which objects on religious grounds to Christian Democratic cooperation with the other moderate Italian parties.

6. France favors conditional answer to Soviet note on German peace treaty:

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French Foreign Office spokesmen believe that the Western replies to the recent Soviet note on a German peace treaty should not treat the issue as an isolated one, because confining discussion to Germany would be in the Russian interest. The French recommend that the West state that any quadripartite conference on this question should not take place until the long-standing Austrian treaty negotiations are concluded and until Germany has a single government formed as a result of free elections throughout the country.

One Foreign Office spokesman expects that the Soviet about-face on German rearmament will greatly embarrass the French Communists.

Comment: French hopes for a demilitarized Germany were largely dissipated by the failure of the Big Four Deputies Conference last spring. The firm stand then taken by the West against further concessions to the USSR was well received by the French public.

Since last summer, the French Government has adopted a progressively firmer policy on Communist activities in France, and little public pressure for renewed negotiations is likely unless Russia offers real concessions.

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7. Belgian Cabinet pessimistic regarding country's defense commitments:

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The Belgian Prime Minister and the Finance and Foreign Ministers state that their country cannot meet the financial burden growing out of its defense effort.

The Prime Minister said that deterioration of the Belgian economy is the real problem and that "nobody believes western Europe is now in danger of Soviet military aggression." The Finance Minister asserted that he will not agree to inflationary measures to meet rearmament needs.

The leaders of the government party are seriously considering a reduction in the present two-year conscription period. Defense Minister De Greef has threatened to resign if this step is taken, since he feels that the present military program could not then be accomplished.

Comment: Despite numerous American representations that the country's economy could be expanded without serious danger to provide a higher level of defense production, Belgium has been increasingly reluctant to undertake greater financial commitments even on a piecemeal basis.

Defense Minister De Greef, an able, non-party military man, has been largely responsible for carrying out the expansion of the Belgian Army ahead of schedule. His resignation would seriously retard efforts to secure increased Belgian defense commitments.

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