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1. CHIANG KAI-SHEK STATES VIEWS ON OUTER MONGOLIA

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[redacted]

In a two-hour conversation with Ambassador Rankin on 7 December, Chiang Kai-shek declared that Nationalist China would be better out of the UN than in it, unless it could stay in as a symbol of anti-Communism and as an acknowledgment of the moral support obtained from the United States. He was emphatic that he was not proposing the veto as "blackmail."

Chiang observed that the Soviet Union had used the veto 25 times on membership questions and he could not see why the Chinese Nationalists would be considered "worse rascals" than the Russians.

Despite these strong statements, Chiang remarked that Ambassador Rankin's presentation of the US position was the best he had heard. Ambassador Rankin believes Chiang may be "softening slightly" on this issue.

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[redacted] Ambassador Rankin's impression of "softening" is the first indication from a reliable source that the Nationalists might be persuaded to alter their position on the admissions proposal. [redacted]

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2. USSR PRESENTS COMPLETED PROPOSAL FOR STEEL MILL TO INDIA

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The Soviet deputy minister of the ferrous metallurgy industry on 9 December formally presented to the Indian government the USSR's completed proposal for a million-ton steel mill to be erected at Bhilai in central India. Credit terms for the \$95,000,000 installation are presumably those previously reported--no down payment and repayment in rupees at 2.5 percent interest.

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Though the Indian government has three months in which to reply to the Soviet offer, acceptance may be announced on 14 December in the joint communiqué to be issued at the end of the Bulganin-Khrushchev visit.

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3. AFGHAN GOVERNMENT WARY OVER BULGANIN-KHRUSHCHEV VISIT

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[Redacted]

Afghan foreign minister Naim on 7 December implied to the American embassy that the reception to be accorded Bulganin and Khrushchev during their forthcoming visit to Kabul would be quite different from those in India and Burma.

According to Naim, mass assemblages of people would not be allowed "because of the weather." The only speeches would be a welcome by Prime Minister Daud and a reply by the Soviet leaders at a subsequent dinner. No treaties or agreements are anticipated as a result of the visit, and the Afghan government expects to reply to offers of friendship or nonaggression treaties by stating that existing agreements are considered adequate.

The American embassy believes that any headway made by the USSR during the visit will be in the fields of barter trade and economic aid and that an arms deal might be included. The embassy notes that the Afghan press and radio have given no publicity to the forthcoming visit and have only very briefly reported news from India and Burma.

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4. NEW TURKISH CABINET

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Prime Minister Menderes' new cabinet, submitted to the Grand National Assembly on 9 December, represents a major effort by the leaders of the

Democratic Party to recoup lost prestige and stop further disintegration of the party. Menderes' assumption of the important post of defense minister, in addition to the premiership, suggests that he means to re-establish his own leadership, which has been badly shaken by the government crisis. He will, however, probably face mounting opposition in the national assembly since the newly formed "Freedom Party" may attract as many as 170 of the dissident Democrats.

The future of the new government depends on its ability to demonstrate its intention to resolve the economic crisis. The new minister of economy, an internationally known banker, is regarded as an able administrator.

President Bayar's political prestige has apparently been unaffected by the crisis, and he will probably begin to play a more important role in the Democratic Party.

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5. BRITAIN SUBMITS REVISED CYPRUS FORMULA TO GREECE

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Britain's revised formula for the future of Cyprus is an effort to meet Greek objections to its 21 November proposal. Greece stated in a 5 December note to Britain that if the formula were revised according to its suggestions the government would then urge Archbishop Makarios to reopen talks with Governor Harding.

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The revised language states more clearly British recognition of the principle of self-determination and promises to discuss the subject with elected Cypriot representatives when a constitution has been established and is working satisfactorily.

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**7. INCREASED VIET MINH TERRORISM IN THE SOUTH
NOTED**

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An increased Viet Minh capacity for infiltration, sabotage, and terrorism on the village level in South Vietnam is reported by the American embassy in Saigon. The embassy notes that the Viet Minh is conducting surprise forays to terrorize refugee settlements and to disrupt administrative functions.

Comment The increased Viet Minh capabilities are apparently the result both of greater efforts by the Viet Minh and of the redeployment for divisional training of Vietnamese army units that had been engaged in pacification duties.

Viet Minh propaganda suggests that a greater effort will be made to disrupt the forthcoming national assembly elections than was expended to oppose the referendum of last October.

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25X1A [redacted]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 11 December)

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No significant military activity has been reported. [redacted]

UN truce chief General Burns is disappointed with the position taken by Egypt in talks on 7-8 December regarding the UN secretary general's proposals on the El Auja demilitarized zone. He fears further clashes are likely if Israel decides to take advantage of the Egyptian "rejection" of the proposals and attempts unilaterally to demarcate the western side of the zone. Egyptian commander in chief Amir told Burns Egypt would not accept the continued presence of 30 Israeli police in El Auja, both for reasons of security and because the Egyptian army would regard this as a "concession." Burns feels that Egypt--by sticking to technicalities--is in effect leaving the Israelis in military occupation of the demilitarized zone. [redacted]

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