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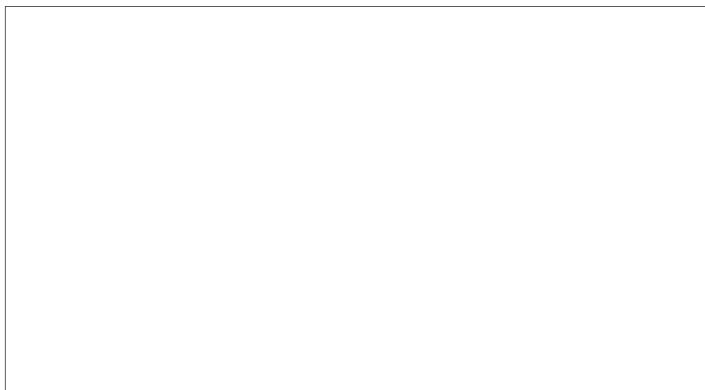
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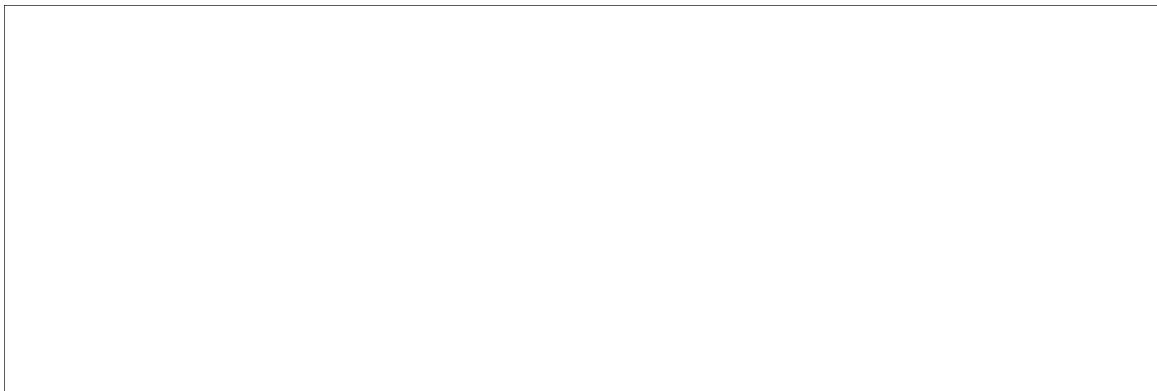
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1. PEIPING MAY JOIN WARSAW PACT AND GET MODERN ARMS FROM USSR



Chinese participation in the Warsaw pact might be part of the bloc's answer to current Western moves to strengthen NATO. A "strengthened" Warsaw pact was one of the objectives enumerated

by Communist leaders on 22 November. Peiping's membership might presage the stationing of specialized Soviet units in China while Chinese units are acquiring proficiency in modern weapons.

2. SOVIET-EGYPTIAN ECONOMIC AGREEMENT

Comment on:

The initiative for the recently announced Egyptian-Soviet economic agreement came from Cairo, [redacted]

[redacted] President Nasir, following a study of Egypt's five-year development plan, felt it would be a "fiasco" without outside assistance, and instructed Minister of Defense General Amir to approach the USSR, which had not previously extended significant economic aid.

[redacted] Nasir expressed concern over Western reaction to the agreement. He considers it an arrangement which will allow him credit for obtaining capital goods as needed in fulfilling the five-year plan and "hopes" the West will "go along" so that he can obtain half of these requirements from the USSR and half from the West. [redacted] Nasir did not make clear whether the USSR agreed to this. Nasir regards the agreement as more comparable to the Soviet credit for India than to the Soviet-Syrian economic development agreement. Unlike the Syrian agreement with the USSR, the loan avoids suggesting that the USSR assume responsibility for the economic development of Egypt.

The announced agreement specifies that machinery, factories, and industrial equipment worth over \$175,000,000 will be provided under a 12- to 15-year, 2.5-percent loan. Nasir [redacted] is studying a Soviet offer of jet military aircraft and a Soviet-proposed gift of a civil aircraft, presumably a jet, for use by the Egyptian national airline. [redacted]

3. FRENCH INTENTIONS IN UN ALGERIAN DEBATE

Comment on:

France regards as "totally unacceptable" any UN resolution which would inject Tunisia and Morocco into the Algerian situation as negotiators, according to French Foreign Minister Pineau. France, however, would probably be able to accept a slightly stronger resolution than last year's, which merely expressed the General Assembly's hope that a peaceful, democratic, and just solution could be found.

Pineau said that his statement when the debate opens next week will be moderate in tone and will reaffirm France's readiness to negotiate a cease-fire without political preconditions. However, since the Algerian debate in the French National Assembly coincides with the UN debate on the question, Pineau is confronted with the problem of presenting France's case in terms which will sound attractive to the UN without causing an explosion at home over the basic statute.

Some of the more moderate members of the Asian-African bloc have been interested in keeping the Algerian debate as mild as possible by such a device as a resolution recommending Tunisian and Moroccan mediation. Outright rejection by France of these efforts might result in a concerted attack on France by the more volatile members of this bloc. In any event, the general atmosphere at the UN this year is not so favorable to France as that of last year and this could result in a protracted and bitter debate.

4. ISRAELI AND JORDANIAN GOVERNMENT REACTION TO JERUSALEM TENSION

Reference:

Israeli Foreign Minister Meir says her government will not submit to "black-mail" in the dispute with Jordan over whether gasoline should be permitted among supplies carried by Israel's regular convoy in support of its caretaker "police" force on Mt. Scopus overlooking Jerusalem. However, in a conversation with the American ambassador, Mrs. Meir expressed Israel's "sincere desire" that Jordan's King Hussayn not be weakened by trouble on this point and that the status quo in Jordan be maintained. She said, "We pray for Hussayn even though we may not like him."

King Hussayn stated earlier that he has no intention of permitting the convoy to cross the border with gasoline but that he does not plan to commit new troops to the Mt. Scopus area, since that would only touch off an incident. After inspecting the Israeli position on Mt. Scopus, UN truce officials are convinced that the gasoline is intended for a legitimate use and accordingly are attempting to obtain Jordan's agreement to pass the convoy with the gasoline.

Meanwhile, two Israelis were killed by Jordanian border guards on 21 November after penetrating 12 miles into Jordan.

5. JORDAN'S KING HUSSAYN ASKS IRAQI AND SAUDI
MILITARY COMMITMENT

Comment on:

Jordan's King Hussayn is disturbed over the possibility of trouble on the Israeli border.

[redacted] on 22 November asked that Iraq be prepared to come to his aid quickly with military forces if Hussayn should call for help. The request appears to be precautionary, and there is as yet no indication that the entry of Iraqi troops is imminent.

Hussayn's concern has been heightened by the possibility that if serious trouble developed on the Israeli border, Syria and Egypt might offer to send in troops, an offer the King feels he would be unable to refuse.

[redacted] once Syrian and Egyptian troops were inside Jordan they would never go home. Hussayn has also indicated that he intends to advise the Saudi ambassador of his fears, and ask that the Saudis, too, be prepared to respond quickly to any call for assistance.

Hussayn's requests may also have been prompted by his fear of increased subversion inspired by Egypt and Syria.

[redacted] Jordanian security units have been alerted to the possibility of an Egyptian-inspired uprising in West Jordan some time after 23 November.

Hussayn's request to Iraq is probably in response to recent urging by former Iraqi Prime Minister Nuri Said that Jordan ask for a brigade of Iraqi troops, which would, in Nuri's view, have a "stabilizing and encouraging effect" on the Jordanian population.

[redacted] only one battalion is now stationed at pumping station H-3, about 50 miles from the Jordanian border. Saudi Arabia already has about 3,000 troops in central Jordan west of Amman, and a smaller force in the Maan-Aqaba area in southern Jordan.

6. INDIAN FINANCE MINISTER DESCRIBES PROJECTED CUTS IN SECOND FIVE-YEAR PLAN

Comment on:

Indian Finance Minister Krishnamachari on 21 November gave the Indian parliament the first firm indications of cuts the government intends to make in the Second Five-Year Plan. He stated that while strenuous efforts will be made to preserve "hard-core" programs involving railways, major ports, steel, coal, and ancillary power, certain power projects and one or two of three planned fertilizer projects probably will have to be dropped. He listed increased defense spending outside the plan, which required a high percentage of foreign exchange, as one of the causes necessitating cuts.

According to Krishnamachari, the government hopes to have a clear picture of plan financing, specific cuts to be made, and priorities of various schemes by the middle of parliament's next budget session--probably in March.

Krishnamachari indicated that the extent of the reductions depends largely on the availability of foreign aid and on whether food production will increase satisfactorily during the plan period. Since India expects to suffer a major food shortage in the spring of 1958, Krishnamachari's caution is probably well founded.

7. INSURGENT SITUATION IN BURMA

Comment on:

The recent surrender of 105 Communists and 135 Karen insurgents, and press reports that more groups are to follow, may represent an important breakthrough in the Burmese government's nine-year struggle to establish law and order throughout the country.

[redacted] no indication that the Communist and Karen high commands are ready to accept the government's terms of unconditional surrender, these defectors--coupled with the generosity with which the government is treating those who lay down their arms--will have a serious effect on insurgent morale and will encourage additional mass desertions. In this connection, the spokesman for the surrendering Communists has publicly stated that the Burma Communist party was in error in insisting on a negotiated settlement, as opposed to outright surrender, and even questioned the correctness of the party's original decision to go into armed rebellion in 1948.

The Communist leadership and some Karens are campaigning for an "honorable" negotiated settlement, and Thakin Kodaw Hmaing, Burma's fellow-traveling "grand old man of letters," has received the government's permission to meet unofficially with the insurgents in an effort to learn their latest peace terms. Such a meeting could be a prelude to direct peace talks between the government and the insurgents. The government, encouraged by the surrenders, probably will be in no mood to soften its terms.

8. SOUTH KOREA AGAIN IMPEDES PROGRESS IN TALKS WITH JAPAN

Comment on:

The settlement of outstanding issues between South Korea and Japan again appears to have been blocked by Seoul's stubbornness. Although President Rhee

on 13 November accepted "without reservation" the US memorandum calling for mutual renunciation of claims, his representatives in Tokyo have reasserted that the memo "does not impair" Korean claims against Japan. While demonstrating willingness to accept two minor Korean changes in the proposed preliminary agreement, Tokyo insists on full mutual acceptance of the American proposal.

According to Ambassador MacArthur, the present impasse stems from an indiscretion on the part of a Japanese Foreign Ministry official who implied that Korea's claims were still negotiable. When it was revealed that he was not authorized to negotiate with the Koreans and did not represent Tokyo's official position, the Koreans cited the affair as another illustration of Japan's "untrustworthiness."

While this development considerably dims prospects for reopening full-scale negotiations, the Korean negotiators have indicated that there is still some "give" in their position.

9. NORTH KOREA TO RELEASE SOUTH KOREAN FISHERMEN

Comment on:

North Korea's delegate to the Military Armistice Commission has informed the South Korean minister of defense that Pyongyang will release 47 fishermen recently captured by two northern patrol boats.

The seizure of the fishermen and their eight boats has aroused indignation in the South Korean press, and release of the fishermen would not rule out southern aggressive action. The South Koreans intend to reinforce their patrols on the east coast and have moved the permissible area of operations for South Korean fishing boats northward toward the armistice line, thereby increasing the likelihood that southern vessels will enter northern waters and touch off naval clashes. Seoul may also decide to step up its efforts to intercept British and Japanese shipping attempting to trade with North Korea.

In contrast to South Korean belligerence, Pyongyang is presenting its decision to return the fishermen as a fraternal gesture designed to improve North-South relations.

CONFIDENTIAL**10. AUSTRIAN GOVERNMENT CONCERNED OVER SOUTH TYROL****Comment on:**

Demonstrations by rival ethnic groups in the Italian South Tyrol have evidently increased pressure on the Vienna government to take the South Tyrolean issue

to some international forum such as the Council of Europe or the UN. The 1946 Austro-Italian agreement, recognizing Italian sovereignty over the South Tyrol, provided various cultural guarantees for the Germanic population. The Germanic areas, however, have bitterly resented being administratively linked with the predominantly Italian Trentino, and both the Austrian government and public appear convinced that Italian policy is deliberately designed to Italianize the area.

Transfer of the dispute to an international forum would not only give it increased prominence but, in the case of a UN hearing, might also result in Soviet bloc, neutralist, and African-Asian exploitation of the issue.

While the Austrians are aware of the disadvantages this might involve for Western unity and would prefer to keep the problem in a bilateral framework, government officials told the American embassy in Vienna on 21 November they fear the situation may reach the point where this approach will not satisfy the South Tyroleans.

CONFIDENTIAL

11. POLITICAL TENSION MOUNTS IN HAITI

Comment on:

Growing discontent in Haiti with the government's subservience to the army and with its failure to provide a program which would alleviate the country's acute economic distress is threatening the month-old regime of President Francois Duvalier. Opposition leaders, incensed by arbitrary arrests of their followers, may exploit the growing popular dissension by attempting a move against the government.

The basic problem besetting Duvalier, whose personal popularity is great, is his dependence on the powerful army chief of staff, Brig. Gen. Antonio Kebreau. Kebreau, who is credited with having engineered Duvalier's election, has been largely responsible for Haiti's recent efforts for closer ties with and possible economic aid from the Dominican Republic, Venezuela, and Cuba, instead of the United States.

The opposition, led by defeated presidential candidates Louis Dejoie and Clement Jumelle, may try to drive a wedge between Duvalier and Kebreau and between Kebreau and his supporters in the army. The government's chances of surviving without army support would be small.