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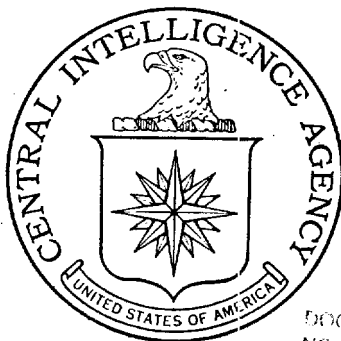
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# CURRENT INTELLIGENCE WEEKLY



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SUMMARY OF CONTENTS

THE SOVIET WORLD . . . . . Page 3

PROSPECTS FOR THE PELLA GOVERNMENT'S CONTINUANCE . . . Page 5

Premier Pella's "transitional" government, having accomplished its primary objective of securing parliamentary approval of a budget, may fall at any time. Its successor would probably be oriented more to the right.

SIGNIFICANCE OF THE PHILIPPINE ELECTION . . . . . Page 8

The clean election in the Philippines marked a significant step toward political maturity, but Magsaysay will face a severe test in his attempts to carry out the basic reforms necessary to ensure internal stability.

PROSPECTS DIM FOR ANGLO-IRANIAN OIL NEGOTIATIONS . . . Page 9

Reports from Tehran and London

25X1

give little hope of an early resumption of oil negotiations.

THE STATUS OF FRANCE'S MILITARY EFFORT . . . . . Page 11

The proposed French military budget for 1954, calling for an 11-percent cut under this year's expenditures, reflects the mounting economic and political difficulties which impel France, like most other NATO members, to concentrate on improving the effectiveness of existing forces rather than expanding them.

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## THE SOVIET WORLD

The inflexible and negative character of recent Soviet statements and notes concerning East-West negotiations does not indicate any basic reversal in foreign policy. It merely suggests that the Soviet leaders have concluded that the West's constant diplomatic pressure has so reduced their freedom of maneuver and evasion that they can no longer avoid making known their unwillingness to settle any major East-West issue at the cost of concessions involving the present frontiers of the Orbit.

In an unusual press conference, Molotov made an obvious effort to counter any unfavorable reaction, but succeeded only in re-emphasizing his government's refusal to consider any substantive changes in its unacceptable conditions for holding a high-level conference with the Western powers. Molotov's charge that the forthcoming Bermuda conference would be likely to increase the difficulty of settling international problems recalls Pravda's criticism of the conference originally scheduled for June and more recent charges of Western "collusion" expressed in the Soviet notes of 4 August and 3 November.

The widely circulated TASS denial of the rumor that Malenkov had informed the British of his willingness to attend a four-power meeting underscored Moscow's strong opposition to such a conference, especially on the heads-of-government level. Molotov carefully emphasized that the five-power conference proposed by the USSR should be on the foreign ministers' level.

The Kremlin's unwillingness to settle European issues probably also accounts for recent Soviet evasiveness in dealing with Austrian officials who were seeking to promote a state treaty. Soviet diplomats refused to confirm formally their oral approval of the principle of Austrian participation in treaty talks, and rebuffed an attempt by the Austrian chancellor to explore treaty possibilities through diplomatic channels. Abolition of Soviet censorship of the Austrian national radio was apparently only a reluctant reaction to the initiative of Austrian officials who took advantage of the recent four-power abolition of general censorship.

Qualified Soviet interest in joining international organizations is one of the few indications since last summer that Moscow will continue its conciliatory gestures in some fields. The Soviet government indicated an intention to adhere to the UN Educational, Scientific, and Cultural Organization and the International Labor Organization, but with reservations in both cases.

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It now appears that the USSR's contribution to the United Nations' 1954 technical assistance program will again have conditions attached designed to control the expenditure of these funds. The 1953 pledge, announced last July, has not been fulfilled because the Kremlin, in addition to demanding the right to earmark it for specific projects, insists that this fund is not convertible, that it must be utilized in the USSR for facilities or equipment, and that any equipment purchased for use outside the USSR must be labeled as to its Soviet origin.

Moscow's denunciation in the United Nations of the establishment of Western bases on the Orbit's perimeter has been accompanied by increased emphasis in Soviet propaganda that Western military plans now call for a "northern Middle East Defense Command," including Turkey, Iran, Pakistan, and possibly Iraq and Afghanistan, which is aimed directly at the USSR. Moscow's sensitivity to any military organization of Middle Eastern states is probably related to the recent visit of Pakistani military officials to the United States and Turkey.

Radio Moscow so far has commented only factually on the current talks between high North Korean and Chinese Communist officials in Peiping. The official Chinese People's Daily, observing that the "destiny of the Chinese people is closely tied to that of the Korean people," pledged continued assistance to the Koreans "until the completion of their work of reconstruction and a peaceful settlement of the Korean question."

The talks will probably result in an agreement to formalize Chinese-North Korean relations along the lines of the recent Soviet-North Korean economic agreement. In addition to the treaty's propaganda effect, such negotiations may lead to an expansion and definition of the Chinese role in North Korean affairs and tend to heighten the over-all importance of Peiping as a leader in the Far East.

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## PROSPECTS FOR THE PELLA GOVERNMENT'S CONTINUANCE

With the reopening of the Italian parliament on 17 November, the question of Premier Pella's continued tenure may be raised at any time. Passage of the budget on 30 October achieved the objective which Pella laid down in August for his "transitional government." Should his cabinet fall, a government oriented more to the right seems likely.

The Trieste question dominates the political horizon. Thus far it has strengthened Pella's parliamentary position by diverting attention from domestic issues, but it will probably cause his overthrow if he fails, within a reasonable length of time, to obtain a solution regarded by the public to approximate the Anglo-American decision of 8 October. Any new government replacing Pella's under these circumstances would be more nationalistic and less inclined to cooperate with the United States on such questions as support for Italy's NATO commitments and EDC ratification.

A Trieste settlement favorable to Italy, however, will not in itself ward off an eventual cabinet crisis. When Pella's government of Christian Democrats took office in August, it was approved by an unstable parliamentary majority consisting of Christian Democrats, Republicans, Liberals, and Monarchists (see chart, p. 7). The Monarchists' support and the Democratic Socialists' abstention marked a rightward shift from the center bloc which supported the preceding De Gasperi regime.

Despite the continuing popular demand for social and economic reforms, the Pella government managed to avoid major political controversies during its first two months. A one-day general strike on 24 September was supported by both the Communist and non-Communist labor federations, but plans for more extensive strike action were postponed following the agreement of Confindustria, the Italian employers' association, to negotiate outstanding differences. The budget, which calls for reduced military appropriations and only slight increases in social expenditures, was passed without difficulty.

On 31 October, however, in the parliamentary voting to name five judges for the projected Constitutional Court, the Christian Democrats supported only their own two candidates and indicated that they no longer intended to maintain the old center bloc. This enabled the Nenni Socialists and the Communists to show solidarity with the small center parties.

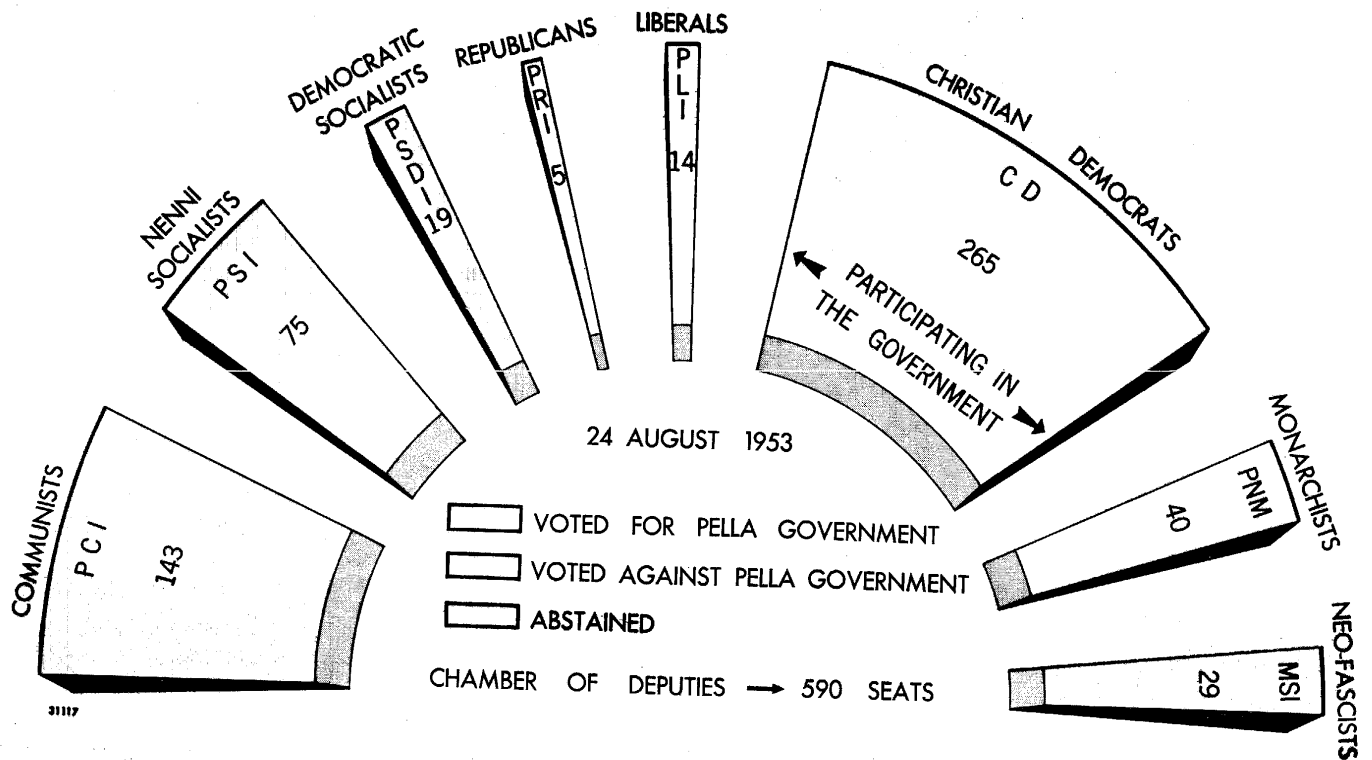
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Both the left-center and extreme leftist parties now charge that the government has decided to "collaborate" with the Monarchists and consequently must "re-qualify" before parliament under its "true center-right colors." The other parties are urging Pella to avoid a vote of confidence at this time.

If the present government falls over a domestic issue, its most likely successor would be more oriented to the right, with at least the support if not the participation of the Monarchists, and possibly headed once more by Pella. This would involve some risk of a split in the Christian Democratic Party, an influential segment of which could prefer a government oriented toward the left with a program which would win the support of the Nenni Socialists. The Monarchists, though not fundamentally opposed to NATO and EDC, would insist on a conservative economic and social program.

Many observers also believe that a new move to the right at this time, particularly in view of the electorate's leftward shift in last June's election, would further weaken government stability and enhance the popular appeal of the extreme left.

# PARTY SUPPORT OF THE ITALIAN GOVERNMENT





## SIGNIFICANCE OF THE PHILIPPINE ELECTION

The respect shown for the widespread public demand in the Philippines for honest elections marks a significant step toward political maturity. Magsaysay has had little political experience, however, and will face a severe test in his attempts to carry out the basic reforms necessary to ensure internal stability.

The 10 November elections saw the heaviest voting and were the cleanest since Philippine independence in 1946. In only two of the country's 52 provinces were there serious disorders. This can be attributed in large measure to the work of various civic groups and the official but nonpartisan Philippine Commission on Elections. The latter provided the machinery necessary for a free election while the former told the public how to use it. The wide publicity given by the civic groups to every indication of dubious intent on the part of Quirino's less savory adherents also served as a healthy deterrent.

The "pro-American" label pinned on Magsaysay by the Liberals proved to be a political asset, although in some parts of Southeast Asia the victory of the so-called American candidate may be regarded as confirming the view that the Philippine republic is an American puppet.

As president, Magsaysay will face economic and social ills which successive American administrators found virtually insoluble. Primary among these is a feudal land tenure system. The country is predominantly agricultural, but only about half of the farms are operated by the owners. The appeal of the Huks has been based on the legitimate grievances of tenant farmers. As defense secretary, Magsaysay recognized this fact, but was able to establish only a token program to provide land for the landless.

Most of the Nacionalista Party leaders surrounding Magsaysay are like the spoils-minded politicians who flocked to Quirino and who resisted reforms in the past. Many of them probably expect only that they will receive opportunities for private gain at the public's expense. Magsaysay has given no indication of his cabinet choices, and the commitments he has made to these Nacionalista leaders are not known, but they will certainly influence the appointment of many key officials.

Public interest in politics has been aroused to an unprecedented extent in the Philippines, however, and the prospects for good government are brighter than ever.

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PROSPECTS DIM FOR ANGLO-IRANIAN OIL NEGOTIATIONS

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Reports from Tehran and London [redacted]

[redacted] give little hope of an early resumption of oil negotiations.

Prime Minister Zahedi's government takes a position similar to that of Mossadeq: the Anglo-Iranian Oil Company must not be allowed to resume its former position in Iran and the British cannot hold a controlling interest in any international group, or consortium, formed to transport and market Iranian oil.

Iran also insists that it must receive all the profits from the sale of its oil. [redacted]

[redacted] the country is in an unfavorable position for regaining its oil market, Iranian officials maintain that any arrangement which provides for a 50-50 split of the profits would be absolutely unacceptable to public opinion. [redacted]

[redacted] rejected any AIOC claims for compensation for loss of future profits and suggested that AIOC and the consortium work out the compensation problem between themselves.

Zahedi and the shah emphasize that the political aspects of the oil situation override economic considerations. When Zahedi took office he promised to find a solution to the dispute. To do so at the expense of what Iranian public opinion has been led to believe is the country's sovereign right, however, might place the government in an untenable position. Zahedi, who is greatly concerned over public opinion, will be particularly cautious in dealing with the British because Mossadeq, during the course of his current trial for treason, has constantly maintained that he is being prosecuted because he succeeded in removing the British from Iran.

Government-controlled newspapers in Tehran, in an attempt to prepare the public, emphasize the necessity for an oil settlement as well as the difficulties facing Iran's attempts to regain its international markets. There is no indication whether the Iranian public can be convinced that a solution can be reached only through compromise.

British officials have taken the stand, perhaps for bargaining purposes, that AIOC should have its title to the properties in Iran recognized before participating in any international consortium to market the oil, and that Britain must have at least a 51 percent share.

The problem of Iran and Britain resuming relations is also closely connected with discussions of the oil issue. Iran has insisted that relations, which were broken off at its initiative in October 1952, can be resumed only after oil negotiations have made some progress. Britain on the other hand maintains that the resumption of diplomatic relations would greatly facilitate formal oil negotiations.

Zahedi would probably re-establish relations in advance if he could convince the public that oil conversations had actually started. Opposition elements may be expected to attack him for resuming relations whenever he takes such action. The success of the opposition in winning public support on this issue would probably affect the prime minister's ability to compromise in any oil settlement.

Britain and Iran probably have taken extreme positions in order to allow freedom to bargain. Both governments, however, appear to believe that they have only limited maneuverability on this issue. Considerable time may therefore elapse before either party is convinced that there is a chance for successful negotiations.

## THE STATUS OF FRANCE'S MILITARY EFFORT

The proposed French military budget for 1954, calling for an 11-percent cut under this year's expenditures, reflects the mounting economic and political difficulties which impel France, like most other NATO members, to concentrate on improving the effectiveness of existing forces rather than expanding them (see charts 1 and 2, p. 13).

Except for Vietnamese troop expansion financed by special American aid, the proposed 1954 military outlay will drastically curtail the planned rate of increase in personnel. Equivalent to just over three billion dollars, exclusive of United States aid, the military budget represents about 29 percent of the proposed total 1954 budget, a proportion second only to that of the United Kingdom among European NATO countries. The National Assembly, which will probably not vote the budget before next year, is expected to approve the expenditures despite the growing sentiment that France is overextended in its military and economic commitments.

This overextension was officially recognized early in 1953 when the Mayer government made a three-percent cut in military expenditures. Support for the Indochina war, which has been swallowing nearly a third of the annual military outlay since 1946, was challenged by those who insist that France must concentrate on its European forces to back its claims to European leadership. This dilemma has been partially resolved by supplementary American aid for Indochina, which enables France to avoid a drastic reduction in defense outlays in Europe.

The rearmament program is also threatened by the growing assumption in France that world tension has abated sufficiently to allow reductions in military outlays. The effects of this sentiment, which is potentially more dangerous than the perennial undercurrent of opinion which fears provoking Moscow, are offset by the prospects of German rearmament. Most Frenchmen still view Germany as a threat to France's security and insist on maintaining larger standing forces in Europe than their traditional foe.

The direct effects of these attitudes on French NATO policy are already evident. Foreign Minister Bidault's public intimation in September that NATO strategic planning should take more account of atomic weapons was clearly an attempt to justify French opposition to further increases in NATO commitments.

Although France met 1952 NATO requirements, it will not meet SHAPE personnel recommendations for 1953. France's armed forces now total nearly 1,000,000, with over 1,500,000 reservists trained on modern weapons since 1946 (see chart 3, p. 13).

The navy is considered the most efficient arm. Old vessels have been replaced or modernized, war-damaged facilities repaired, and numerous additional small ships have been built or ordered. The air force possesses only about 750 jet aircraft, dispersed in 23 of its 44 squadrons, with enough personnel in training to form the 10 new squadrons planned for 1954 as equipment is received.

The army's strength is still sapped by Indochina's absorption of a large proportion of regular troops, leaving too few professional cadres to train the conscript ranks in Europe. With "lean" conscript years in prospect, the army is handicapped by the 18-month draft period and by inadequate refresher training for reservists. The army has lost its former attractiveness as a career because of low pay and other adverse conditions. Communist influence has been practically eliminated from the regular forces, but it might present a serious problem were the reservists to be mobilized.

Release from commitments in Indochina would result more in qualitative than in quantitative advantages for the French forces in Europe. A few squadrons of badly needed air force personnel would be brought back. The return of naval personnel would ease the problem of manning new ships now on order. Prospects of forming several new infantry divisions with returning army forces are largely discounted, however, since the bulk of those in Indochina come from elsewhere in the overseas territories and cannot be stationed in France in peacetime.

Steps have been taken during the past few months to remedy the loose and conflicting political and military control of the armed forces provided under the Fourth Republic, thus permitting more effective use of France's military resources. Improvement is apparent in morale and efficiency, a major factor being the arrival of new American equipment in quantity.

STATUS OF THE FRENCH MILITARY EFFORT

CHART 1

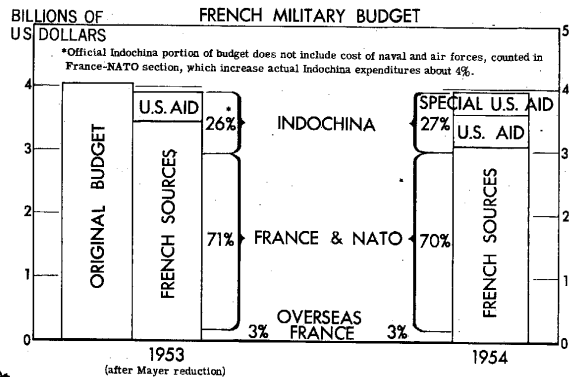


CHART 2

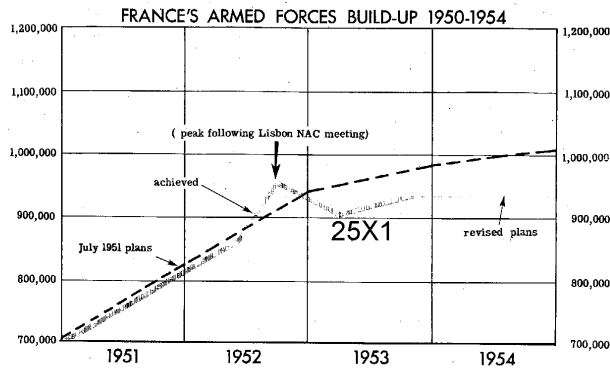
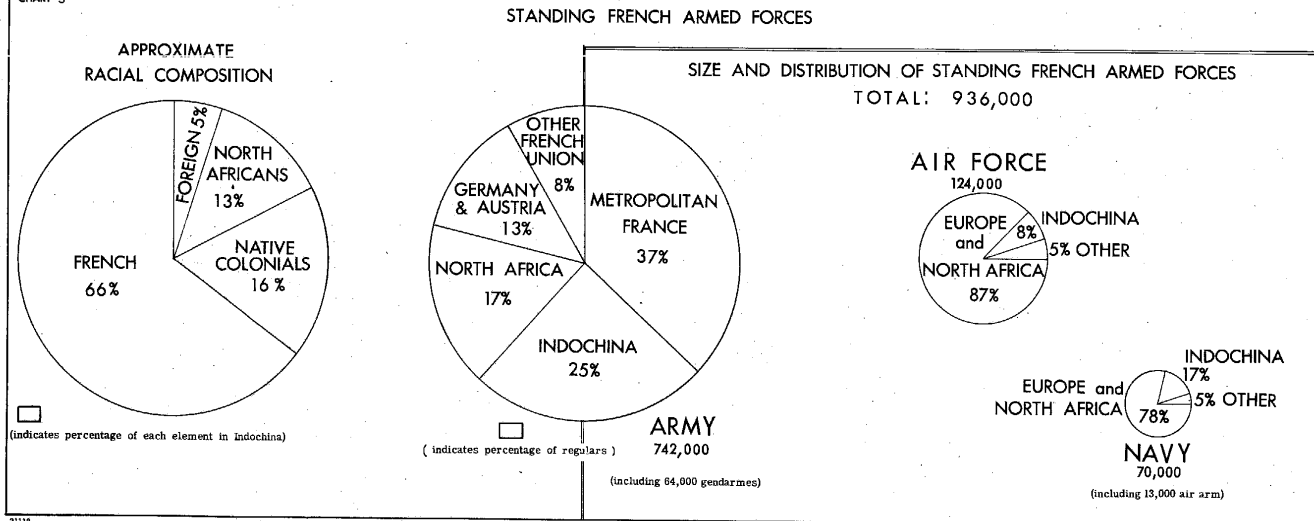


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