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GENERAL

1. French ships available for sale to the Orbit:

[Redacted]

A Paris shipping firm [Redacted] informed the Soviet agency in charge of importing transport machinery [Redacted] that it was willing to send a man to Moscow to discuss eventual Soviet purchase of second-hand French vessels.

The company noted that it had sold a ship to Poland, and that one of its agents would be in Poland in early February to deliver the Volta, sold to Czechoslovakia, and to talk with the Polish central office of maritime equipment.

Comment: The surplus of second-hand ships available in Western Europe is likely to increase efforts to dispose of them behind the iron curtain.

[Redacted]

The 5100-ton Volta, a second-hand French ship capable of 15 knots, was sold for about \$1,100,000 to Czechoslovakia despite the United States' objections and Britain's reservations. None of the other COCOM members formally objected.

SOUTHEAST ASIA

2. Chinese infiltration of Indochina border area alleged:

[Redacted]

[Redacted]

[Redacted] the Chinese Communists are infiltrating Indochina to assist the Viet Minh in operations along the border. [Redacted]

[Redacted]

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[REDACTED]

Comment: Previous information from pro-French guerrilla units in the Yunnan border area has been sketchy. If these reports have any validity, it is probable that they refer to small-scale incursions and local cooperation between the Chinese and Viet Minh of the type reported from time to time in the past.

3. Viet Minh weighs advantages of Dien Bien Phu attack:

[REDACTED] the Viet Minh command plans to attack Dien Bien Phu only if the chance for success is good. In case victory is uncertain, the command will order Dien Bien Phu contained and divert the weight of its offensive in another direction.

Comment: This apparently establishes that the Viet Minh is not committed to an attack on Dien Bien Phu. The decision will probably be made on the basis of armed reconnaissance.

It is also a firm indication of alternative plans, probably for an invasion of northern Laos. There have been reports of reconnaissance and the stockpiling of supplies south of Dien Bien Phu, and of the movement of minor elements of one division southward.

4. Burmese cabinet reportedly seriously split:

[REDACTED] The Burmese cabinet has split into two factions, [REDACTED] one led by Premier Nu and Minister of Industry Kyaw Nyein, the other by Defense Minister Ba Swe and Home Minister Khin Maung Gale. [REDACTED]

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Comment: The Burmese cabinet outwardly has given every indication of working in harmony, and many of its members, including Ba Swe and Khin Maung Gale, have repeatedly denounced the Communists.

Rivalry between Ba Swe and Kyaw Nyein, who represent the left and right wings respectively of the powerful Socialist Party, has often been reported, however, and the development of such a division would seriously hamper the government's efforts to restore internal stability.

#### NEAR EAST - AFRICA

##### 5. Election rivalry reportedly widens split between shah and Zahedi:



The shah's inability to reach agreement with Prime Minister Zahedi on election candidates has brought the latter to the verge of resignation,



In several districts the shah is backing one candidate and Zahedi another; trouble is expected when balloting begins in these areas.

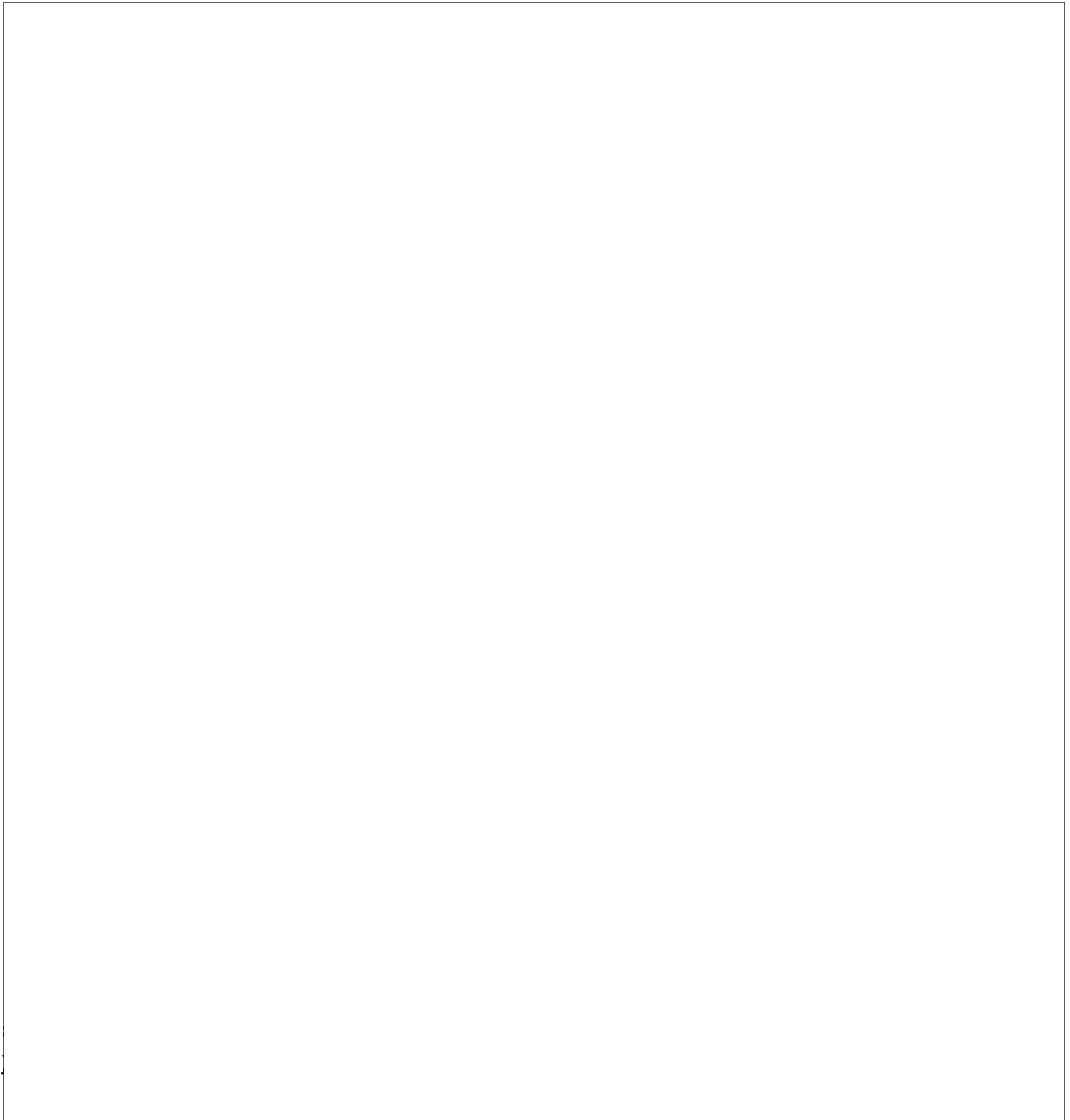
The voting so far has been carried on in constituencies where there has been no dispute and is being postponed as long as possible in trouble areas. Tehran reportedly is last on the voting list.

Comment: While increasing tension between the shah and Zahedi can be expected as the elections move into the disputed areas, the prime minister would probably resign only under the most extreme provocation.

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7. Iraq would consider pact with Turkey or Pakistan:



In a conversation with Ambassador Berry in Baghdad, Prime Minister Jamali suggested that he would study sympathetically any proposals for a military pact which would link Iraq with Turkey or Pakistan.

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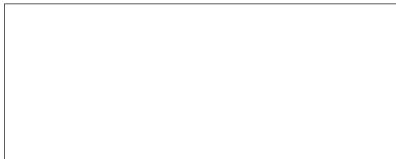
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Jamali said he hopes to open a pro-Western campaign just as soon as he has assurances of American military assistance to present to the people as a concrete gesture of Western friendship.

Comment: Jamali's interest in a pact, while apparently sincere, seems immediately stimulated by his desire to use the prospect of American military aid to bolster his political position. He may study proposals for a pact, but does not seem able at this time to challenge the popular opposition to any Western-sponsored military pact.

8. London discounts latest Egyptian proposal on Suez:



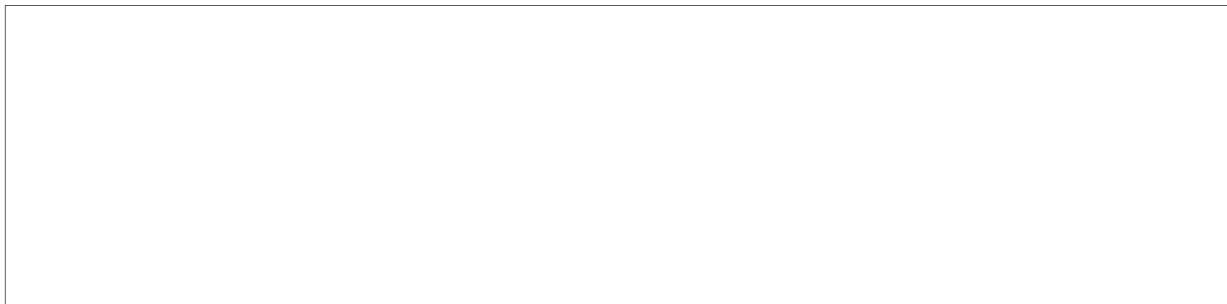
An official of the British Foreign Office has told Ambassador Aldrich that he does not consider as "very helpful" the latest Egyptian proposal for availability of the Suez base.

The Egyptian formula would provide for immediate availability of the base to the West in the event of an attack on Turkey as well as on any Arab state. Britain, the official stated, is primarily interested in the availability of the base in the event of a global war and not in terms of an attack on individual countries.

Comment: London's reaction to this proposal is likely to strengthen Egypt's suspicions of Britain's sincerity and desire for an agreement at this time.

EASTERN EUROPE

9. Soviet advisers apparently assigned to regional headquarters of Czech security forces:

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The assignment of Soviet personnel to lower echelons was probably designed to tighten control over the Czech security system and increase the effectiveness of forces conducting local operations against increasing resistance activities.

[Redacted]

10. Tito regime believed strengthened by Djilas case:

[Redacted]

Ambassador Riddleberger reports that most foreign observers in Belgrade believe the purge of Djilas has strengthened the Tito government by restoring the confidence of the lower party hierarchy, which Djilas' views had previously begun to shake.

The ambassador also reports that Yugoslav officials fear that the repudiation of Djilas will be interpreted as a gesture toward reconciliation with the Soviet Union. Foreign Office officials have taken pains to assure American embassy officials that the Djilas affair was a purely internal matter.

Comment: Although a purge is already under way and can be expected to spread throughout Yugoslavia, it will probably touch few if any Communists in positions of power.

WESTERN EUROPE

11. French official reiterates French reservations on negotiations with Viet Minh:

[Redacted]

According to the American consulate in Hanoi, French secretary for the Associated States Jacquet has assured a Vietnamese official that the Laniel government has no intention of attempting negotiations with the Viet Minh. He added that not even the Socialist members of the French National Assembly would agree to any arrangement which would turn Vietnam inevitably over to Communist rule.

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Comment: While supporters of negotiations with the Viet Minh probably count on Socialist backing, recent cabinet debates indicate strong rightist sentiment for other steps toward withdrawal.

Since last November, when Ho Chi Minh's offer to negotiate was first printed in a Swedish paper, the Laniel government has maintained that it will not engage in negotiations that might lead to Communist domination of the Vietnamese.

12. Italian cabinet crisis may be prolonged:

A prolonged government crisis now appears in prospect in Italy, since both the Monarchists and the Democratic Socialists have announced their intention to vote against Premier-designate Fanfani.

Any new Christian Democratic premier-designate will be forced to make a clear choice between Monarchist and Democratic Socialist support. At present a government headed by a right-wing Christian Democrat such as Pella or former vice premier Piccioni would seem to have the best chance of winning parliamentary approval. Pella in particular would have the support of rightist nationalist elements who are demanding increased Italian independence from American influence. Other possible premiers-designate include former interior minister Scelba, Senate president Merzagora, or Chamber of Deputies president Gronchi. The last might even be willing to make overtures to the Nenni Socialists.

In any event, it is unlikely that any Italian government can afford to identify itself as closely with American policies as in the past. [redacted]

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