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GENERAL

1. Comment on Communist position at Geneva:

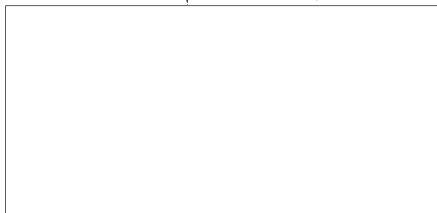


Soviet and Chinese Communist propaganda treatment of Secretary Dulles' trip to Paris suggests that the Communists are preparing for a possible failure to conclude a cease-fire agreement on Indochina by 20 July. This propaganda asserts that Mr. Dulles has been attempting to prevent an Indochina settlement, and that the French position at Geneva in recent days seems to have hardened.


The Communists realize that their own terms for a settlement are stiff. These include partition of Vietnam at the 16th parallel, Communist control of some part of Laos, and preparations for elections or coalition governments in all three Associated States.

It is doubtful that the Communists will modify their terms sufficiently by 20 July to bring them genuinely in line with American principles for respecting a settlement. Current propaganda indicates a Communist belief that Mendes-France, under American urging, may reject their terms despite his 20 July deadline. Should this occur, the Communists would be expected to exploit the line that successful negotiations on Indochina depend on the willingness of the French government to resist American "dictation." 

2. Japanese anticipate Soviet peace proposal:



 the Japanese Foreign Ministry. 

 had indicated that Moscow is preparing to propose a peace treaty between the Communist bloc and Japan. Such a treaty would enable Japan later to participate in an Asian collective security system which Molotov and Chou En-lai are currently developing.

The two foreign ministers were said to have agreed on Asian economic collaboration within the framework of the United Nations, but Chou opposes while Molotov favors admitting the Western powers to the security arrangement. Anticipating that the proposal will intensify Japanese popular pressure, advisers are urging Foreign Minister Okazaki to take the lead in furthering commercial and cultural relations with the USSR. Okazaki has directed Japanese foreign missions to report local opinion concerning the possibility of peaceful co-existence with the Soviet bloc.

Comment: It seems likely that the Communists at Geneva will make proposals for an Asian security system, as a counterpart to Molotov's proposals for a European security system and to block or delay American efforts for a Southeast Asian security pact. In his first Geneva speech of 28 April, Chou En-lai stated that Asian countries should work out their own security arrangements. Following Chou's talks with Prime Ministers Nehru and Nu, Peiping has suggested that Chou's "five principles" for peaceful co-existence should guide relations between Asiatic states.

The Communists may propose a peace treaty for Japan, but Moscow is not likely to meet the Japanese conditions for a treaty and consequently may simply declare a cessation of hostilities. While Japan has been officially passive toward regional security plans and generally cautious regarding bloc relations, deterioration of the Japanese economy will intensify the attraction of closer relations with the Communist Orbit.

SOVIET UNION

3. Characteristics of new Soviet jet bombers:



Technical analysis of the new Soviet jet bombers displayed over Moscow in April and May has been completed. It is estimated that, on a typical bombing mission, the Type 37 four-engine jet bomber, as of 1957, and the Type 39 twin-engine jet bomber at present, have the following characteristics:

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	Type 37 (1957)	Type 39 (1954)
Combat radius	2350 N. M.	1410 N. M.
Combat range	4300 N. M.	2720 N. M.
Combat speed	490 knots	488 knots
Target altitude	41,000 feet	36,200 feet
Bomb load	10,000 pounds	10,000 pounds

If the fuel reserve specifications of a typical mission are not adhered to, it is possible to extend slightly the radii and ranges of these aircraft.

SOUTHEAST ASIA

4. Cogny sees great morale problem if no decision reached by 20 July:

General Cogny told the American consul on 15 July that any delay beyond 20 July on the decision of whether it will be "peace or war" would produce a great morale problem, even among French troops. He mentioned the possibility of an orderly evacuation of Hanoi over a period of two months in the event of a negotiated peace. If it was to be war, however, he said he would still have time to evacuate civilians.

Meanwhile, a responsible officer in French headquarters in Hanoi informed the American army attaché that if no agreement were reached, the Viet Minh could force a French withdrawal to Haiphong, a retreat that could be "very costly."

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5. National Party differences seen causing possible downfall of Indonesian government:

[Redacted]

A split in the National Party over economic policy may be serious enough to cause the Indonesian government to fall.

[Redacted]

[Redacted] told an American embassy officer that moderate Nationalist elements would like to recast the government with Masjumi and possibly Socialist participation.

Comment: There has been an increased number of reports recently on the likelihood of a government collapse. Most of these refer to dissatisfaction on the part of two small parties in the coalition. The present cabinet has been in office nearly a year, longer than the average life span of Indonesian governments. Its staying power is to a large degree attributable to the strong support it receives from President Sukarno.

NEAR EAST - AFRICA

6. Possibility of Arfa as Iranian prime minister discounted:

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Ambassador Henderson believes the group now plotting to replace Prime Minister Zahedi with retired general Arfa is unlikely to gain power constitutionally, or to

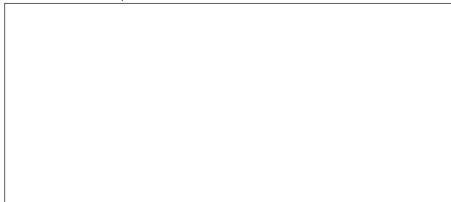
win sufficient army support to risk a military coup. In view of Arfa's apparent lack of civilian support, his success would depend on backing by the shah, [Redacted]

The shah, who is aware of Arfa's campaign, is said to dislike him personally. Furthermore, he would probably oppose the rise to power of a new "strong man." The shah maintains friendly contact with various opposition groups, which he would like to consider as "his majesty's loyal opposition."

Comment: The Arfa intrigue is probably the most prominent of several current efforts to undermine Zahedi.

The shah has told Henderson on several occasions of his desire to replace Zahedi, but American and British support of the prime minister has deterred him. There are indications that the shah is now supporting Zahedi more firmly than in recent months.

7. Israeli efforts to undermine UN truce machinery may increase:

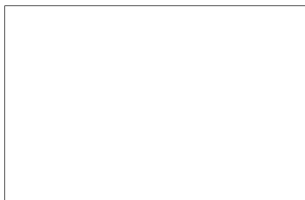


Three leading UN observers and the American army attaché in Tel Aviv believe Israel will increase its efforts to bring an end to the UN Truce Supervisory Organization. These officers believe that the 10 July Israeli attack on an

Egyptian frontier outpost indicates Israel's contempt for the truce organization and a decision to counter border violations with reprisal raids. They fear, moreover, that Israeli chief of staff Dayan will attempt to undermine the truce organization during his current visit in the United States.

WESTERN EUROPE

8. Italian delegate satisfied with financial aspect of Trieste negotiations:



In the American-British-Italian talks on Trieste concluded in London last week, Italy received a promise of American financial support

