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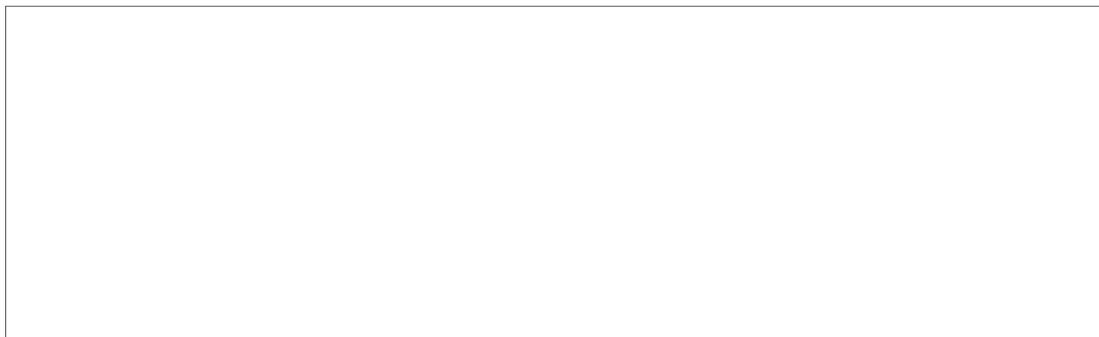
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SOVIET UNION

1. Bulganin reaffirms desire for four-power meeting:

Soviet premier Bulganin told French ambassador Joxe on 5 May that ratification of the Paris accords must not prevent the four powers from seeking "any necessary means of reaching a detente," according to a report passed by the French Foreign Ministry to the American embassy in Paris. Bulganin flatly confirmed his previous public statement in favor of a four-power meeting, but said the agenda must "make sense." Bulganin said that the division of the world into two blocs must be recognized as a reality but must not be allowed to lead to war.

Bulganin said he was sure an acceptable German solution could be found. He added that France and the USSR could guarantee a unified, disarmed Germany with a freely elected government. Ambassador Joxe felt, however, that the USSR was seeking a new formula for an equalization of forces in Europe and was ready to permit Germany to rearm to some extent.

Comment: This is the strongest Soviet bid for four-power talks, which could include the German problem, since ratification of the Paris accords became certain.

It is not clear whether Joxe believes that the USSR is interested in fixing an arms limit for the existing two German states or for a united Germany.

FAR EAST

2. Comment on Peiping's 1955 economic goals:

The total value of industrial and agricultural output in Communist China during 1955 is to increase about 7 percent over that of 1954, according to a 1 May editorial in the authoritative Peiping People's Daily. In 1954 the corresponding increase had been planned at 12.6 percent; in 1953, a 16-percent increase was attained.

The 7-percent increase projected for 1955 indicates a further tapering off in the rate of Communist China's economic growth and reflects a lag in the construction program and a recognition of the over-all effects of failures to achieve planned increases in agricultural output.

The 1955 goal will apparently require a hard line toward the agricultural sector of the economy. Peiping is committed to an expansion of the co-operative movement and has announced that it intends to continue tightening its rural food collection and supply policies, despite widespread popular "tension" and unrest following the century's worst floods and an unusually severe winter. [REDACTED]

SOUTHEAST ASIA

3. Comment on new Vietnamese cabinet:

[REDACTED] Premier Diem's action in naming a new cabinet on 10 May appears intended to undercut any move by Bao Dai to attempt a reorganization of the government that would have weakened Diem's position. The cabinet reflects Diem's estimate of his strengthened position, in that no concessions were made to the sects or other groups which have opposed him. This will almost certainly draw complaints from the French, who insist that the situation requires a cabinet of "broad national union." The new cabinet does, however, give greater representation to Cochinchinese.

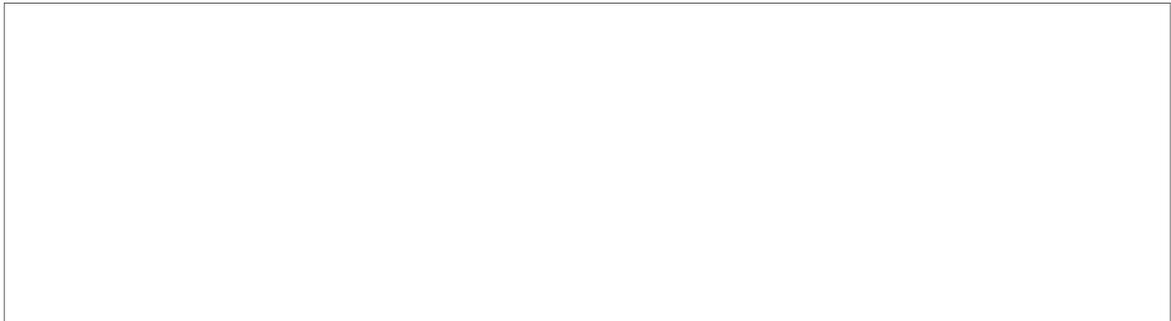
The appointees are for the most part capable nationalist technicians with views similar to Diem's. The one member of the Revolutionary Committee appointed--Hoang Co Thuy, under secretary of state--had been described as one of the key supporters of Diem on the committee. Thuy's signature appeared on a petition six years ago calling for the French to negotiate with the Viet Minh, but other evidence to link him with the Communists is lacking.

Diem is keeping the defense portfolio himself but has also retained as under secretary of defense Tran Trung Dung,

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who has been in active direction of that department for the past several weeks. For the first time, Diem has appointed a full-time minister to the Interior Ministry, the key post for directing antisubversive activity. [REDACTED]

4. Diem wants early withdrawal of French forces:

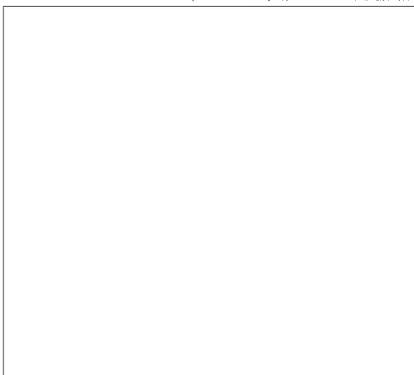


Comment: The Diem government has long favored the withdrawal of French forces, but has been reluctant to press the subject.

The political and economic effects of a French withdrawal would depend on the manner in which it was done. An abrupt withdrawal might cause panic in South Vietnam and would provide maximum opportunity for Viet Minh exploitation. A phased withdrawal would provide considerable political benefit to the Vietnamese government.

NEAR EAST - AFRICA

5. France and Iraq accuse each other of promoting Syrian instability:



France is still seriously concerned over the situation in Syria, according to an aide-memoire handed to Ambassador Dillon in Paris on 6 May. France maintains that Iraq is spending large amounts of money to promote the overthrow of the Syrian government of Prime Minister Asali and the union of Iraq and Syria.

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Iraq's Prime Minister Nuri told Ambassador Gallman in Baghdad on 9 May that France is primarily responsible for Syria's instability and is stirring up Egypt and Saudi Arabia, as well as pro-French elements inside and outside the Syrian army, against Iraq.

Nuri did not confirm or deny reports that Iraqi officials and arms were being infiltrated into Syria. He said, however, that if the legal government in Syria appealed to Iraq for help in restoring order, he did not see how such a request could be turned down. He pointed out that with the restoration of order, Iraqi troops would be withdrawn.

Comment: Nuri's statements suggest that he is countenancing the reported infiltrations of Syria under the direction of Iraqi crown prince Abdul Ilah. Under these circumstances, the prince's activities constitute a considerable threat to Asali's government.