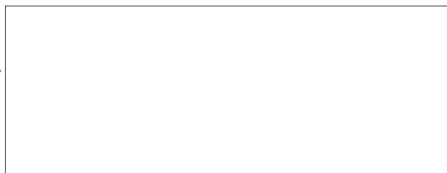


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20 February 1955



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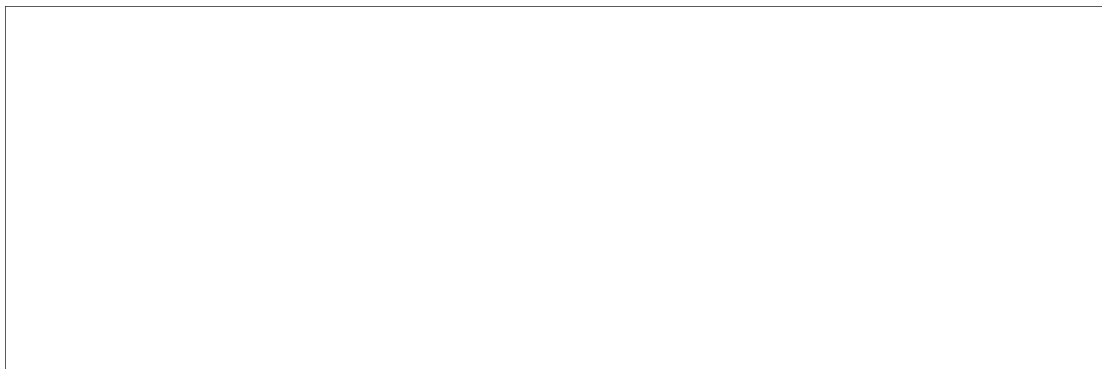
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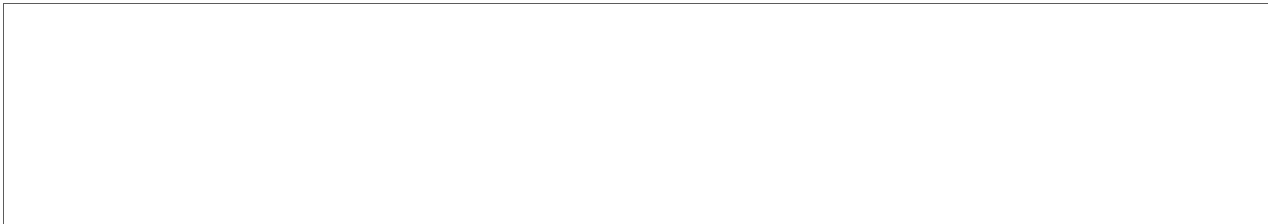
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## SOVIET UNION

1. Comment on Soviet "disarmament proposals":

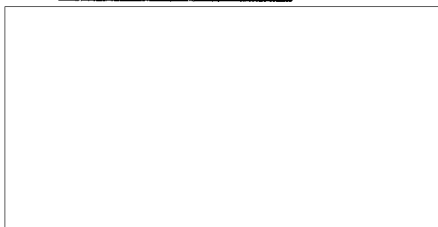
The only new element in the Soviet Foreign Ministry's statement of 18 February on disarmament is the proposal to place a ceiling on armed forces and military budgets at the levels of 1 January 1955. The previous Soviet proposal, Vyshinsky's 30 September plan, stressed a reduction by "agreed norms" in conventional armaments and military expenditures and accepted the French-British date of 31 December 1953 as the base level from which to measure the reduction in armaments and expenditures.


This statement is issued one week before the beginning of the talks in London by the UN Subcommittee on Disarmament, which were arranged on the understanding that they would be private and secret. This maneuver may foreshadow further Soviet use of the press during the course of the conference.

Moscow may hope to use the meeting to dramatize propaganda on German rearmament, American bases, and allegations of American and NATO preparations for atomic war. The Foreign Ministry statement plays on the danger of atomic war for "the more densely populated parts of Europe, and not only of Europe."

The appointment of Gromyko, a first deputy foreign minister, to head the Soviet delegation to London probably was partly designed to balance the designation of Ambassador Lodge to head the American delegation. 

## FAR EAST

2. Further indication of Chinese Communist logistical build-up in Formosa area:

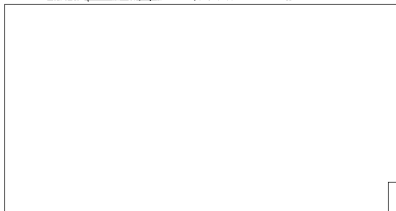
Shipments of empty oil drums down the Yangtze River to Shanghai and Nanking in recent months have revealed a significant shift from civil to military consignees, 

There have also been indications that the national petroleum distributing company--which normally receives these empty drums--has been in extremely short supply for upriver shipments.

Comment: The East China Military District includes the Fukien coast opposite the Nationalist-held offshore islands. This area has probably had a recent increased military need for petroleum products. The East China Military District could also be stockpiling drums for future use.  
(Concurred in by ORR)

NEAR EAST - AFRICA

3. Iranian prime minister resents Shah's political role:



Iranian prime minister Zahedi has said he will resign unless the Shah continues to trust him and agrees to a role of "reigning instead of ruling,"



According to the prime minister, the Shah "has led the country into a swamp of confusion" during the last 12 years.



Comment: Zahedi's suggestion that the Shah should reign but not rule is reminiscent of former prime minister Mossadeq's viewpoint, one which nearly cost the Shah his throne. While this report may have been planted by Zahedi's enemies to influence the Shah, there have been increasing signs in recent weeks that the Shah would remove Zahedi on his return to Tehran in early March.

With any succeeding prime minister, it may be anticipated that the Shah will participate more actively in the day-to-day operations of the government.

WESTERN EUROPE

4. Adenauer's attitude certain to increase bitterness of ratification debate:



American officials in Bonn believe the Bundestag debate on the ratification of the Paris accords will be made more bitter by Chancellor Adenauer's refusal

to accept a Socialist resolution on reunification which has been presented to the parliamentary foreign affairs committee. The resolution calls for the West German government to take steps toward German reunification through free elections. At Adenauer's request, it was rejected by the Christian Democratic (CDU) majority on the committee because it did not give an all-German government freedom of action in foreign affairs. The chancellor considers this necessary to his pro-Western orientation.

The Socialists are reported bitter at the CDU action and Christian Democratic deputies are said to be disappointed at the chancellor's refusal to make a gesture which they believe would have cost him nothing. The Socialists are expected to introduce a similar resolution during the ratification debate in the Bundestag beginning on 24 February.

Comment: The chancellor, who has been adamantly against any concessions toward the Socialist foreign policy position calling for a reunified, neutralized Germany, is confident that ratification of the Paris accords can be won without such concessions. Despite the increasing political tension, ratification appears assured by a narrow margin.

LATIN AMERICA

5. Communist coup allegedly scheduled for Guatemala



A Communist coup in Guatemala is scheduled according to Communist revolutionary circles.



The plot allegedly is to be carried out by "a group of teachers" aided by "a strong group" of militant Communists and pro-Communists in Mexico which includes Mexican General Calvo Ramirez.

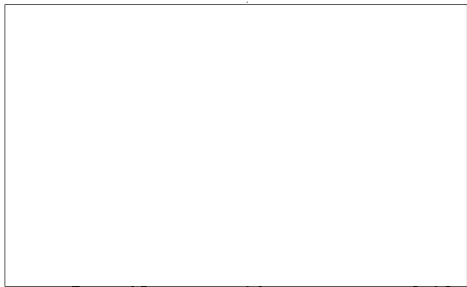
Comment: Guatemalan Communists are not believed capable of staging a successful coup at the present time, but some attempt may be made.

A clandestine Communist newsheet counseled in December, however, against violence, suggesting that Communist leaders were placing their hopes for a comeback in long-term political action.

The estimated 200 Guatemalan Communists and pro-Communists in Mexico are prohibited from engaging in political activity and are divided among themselves. General Calvo, a reported Communist and now head of the army's military justice section, has associated, however, with the Guatemalan exiles, as have other Mexican Communists.

LATE ITEM

6. Comment on Faure's prospects as next French premier:



A Radical Socialist, Acting Foreign Minister Edgar Faure, was picked on 19 February by President Coty as premier-designate. Faure, who is an economic and financial expert, will probably gain important support from the right--which was refused Pineau--

for the continuance of the moderate and successful economic program which he initiated in February 1954. Most of the deputies who supported Mendes-France will probably also rally to Faure. In addition, he is more acceptable to the Popular Republicans who broke with Mendes-France on European integration.

American officials in Paris believe that Faure may follow a "soft" line toward the USSR if this should prove

politically profitable. Hence, there is some doubt that he would press immediately for Council of the Republic approval of the Paris accords. Rightist opposition to a policy of autonomy for Tunisia and Morocco will handicap Faure's probable effort to carry on Mendes-France's North Africa policy. Faure would be likely to continue the policy of economic and cultural co-existence with North Vietnam. [REDACTED]