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~~TOP SECRET~~**GENERAL****1. Mendes-France presses for Western demarche to USSR:**

 Premier Mendes-France stressed to Ambassador Dillon on 5 January the "necessity" that some progress on diplomatic preparations for an East-West conference be made before mid-February, when the Council of the Republic is expected to be ready to vote on the Paris accords. The premier said he would prefer a tripartite demarche calling for a conference in May. If this cannot be agreed on, Paris will make a unilateral demarche.


Mendes-France also stressed the importance of achieving some success in the forthcoming negotiations on an arms production pool. He said that a breakdown of these negotiations before the Council of the Republic acts on the Paris accords would be "catastrophic."

Comment: Although Mendes-France has professed to see no hope for a fruitful meeting with the USSR, some of his closest advisers are convinced that a genuine East-West understanding is not only possible, but necessary for the success of the French economic program to which the premier is committed.

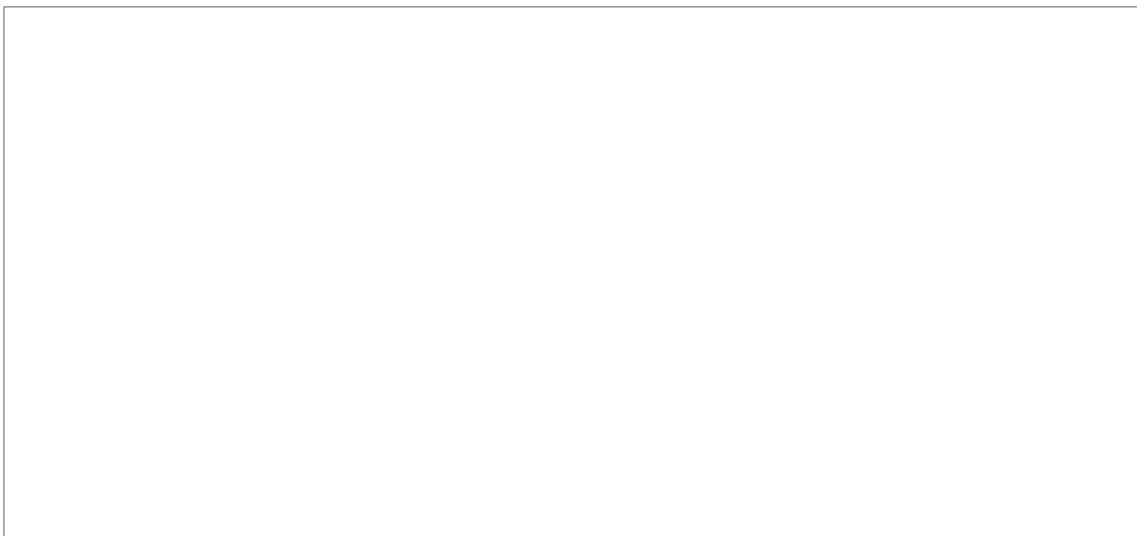
The draft proposal for an arms production pool which France has now circulated to the other Western European Union countries apparently goes considerably beyond what the other countries had been led to expect. Consequently, the negotiations on this subject which are scheduled to start on 17 January may be much more difficult than even Mendes-France anticipates.

Chances are still good, however, that the Council of the Republic will approve the Paris accords in February.

2. Eden shows little disposition to help Mendes-France:



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Comment: Ever since last July when they began to prepare for an alternative to EDC, the British have regarded the primary problem in Europe as political rather than military, namely to sustain Adenauer and to integrate West Germany with the West.

3. Moscow embassy doubts wisdom of Mendes-France proposal:



The American embassy in Moscow believes that Mendes-France's latest proposal for a four-power conference in May would be interpreted by the Soviet leaders as a clear indication of the effectiveness of their present line of intimidation. It would give Moscow an excellent opportunity to reassert its firm opposition to negotiations on Germany and Austria after ratification of the Paris agreements. The USSR would frame its answer--either outright rejection or a suggestion that ratification be postponed--to have the greatest detrimental effect on the decision of the French Council of the Republic.

The embassy emphasizes that the Soviet government, while very careful not to reject the principle of negotiations, has repeatedly asserted that there would be no point to talks on Germany and Austria after ratification.

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SOUTHEAST ASIA

4. 2,000 Chinese technicians to work on restoration of Vietnamese railroads:

[redacted] under the recently announced Sino-Viet Minh agreement on restoring communications in North Vietnam, 2,000 Chinese technical specialists will work on the restoration of railroads. Rebuilding of the Hanoi-Nam Quan railroad is characterized as only the "first step" in the restoration of the country's railroads "in their entirety, which in the northern region is more than 1,000 kilometers, and throughout the country is 2,500 kilometers."

Comment: The number of technicians mentioned indicates the scale of China's involvement in the economic development of North Vietnam. China is also supplying technicians for the restoration of postal and telecommunications systems, highways and water conservancy, and to develop civil air and meteorological services.

The Viet Minh's concern with the restoration of railroads throughout the entire country denotes its confident expectation of extending its control over South Vietnam.

5. Indonesia decides to recognize Indochinese states:

[redacted] The Indonesian cabinet decided on 5 January to extend de jure recognition to Laos, Cambodia and North Vietnam and de facto recognition to South Vietnam, according to the Djakarta press.

Comment: Indonesia would be the first nation outside the Soviet Orbit to extend de jure recognition to North Vietnam.

Djakarta's consideration of the recognition problem may have been accelerated by the forthcoming Asian-African conference, to which all four Indochinese regimes are to be invited.

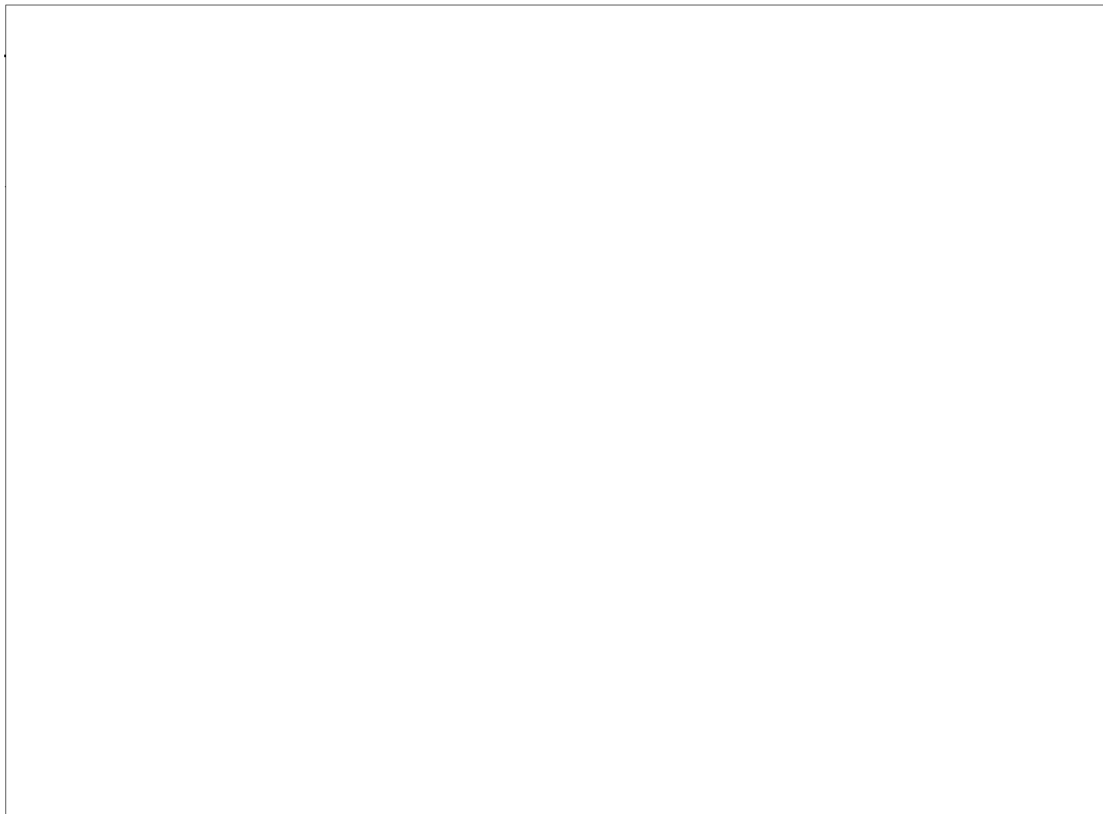
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Of the other Colombo powers, which are sponsoring the conference, Pakistan, Ceylon and Burma have recognized Laos and Cambodia while India has extended full recognition only to the latter. Pakistan has, in addition, extended de facto recognition to both North and South Vietnam.

SOUTH ASIA

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