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GENERAL

1. Bonn plans for UN action on Arab-German dispute:

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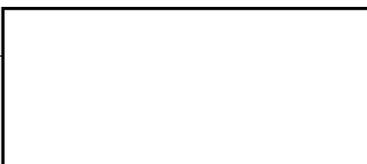
The Bonn government will soon ask the Egyptian Government to approve placing the Arab-West German dispute over the Israeli restitution agreement on the UN General Assembly agenda for 1953. According to a West German spokesman, Herbert Blankenhorn, such a procedure would provide the Arabs with a face-saving device and give General Nagib more time to soothe Arab resentment.

Blankenhorn believes that Nagib will agree to the UN intervention proposal, which has already been approved by the Israeli Government. The West German Federal Senate will consider ratifying the restitution agreement on 10 January.

Comment: Discussion of the dispute in the UN might further strain relations between Western and Arab countries and would seriously delay the delivery of industrial equipment needed by the Israeli economy.

2. Liechtenstein firm reportedly offers large quantity of aluminum to Poland:

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The Liechtenstein firm of Max Linker is reportedly negotiating with Poland for the immediate sale of 750 tons of 99.5 percent pure aluminum sheets now in Antwerp.

Both this shipment and an additional 750 tons, which will also be offered to the Poles, were allegedly obtained by means of a counterfeit order from an Argentine purchasing commission in Italy.

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Comment: Aluminum shipments to the Orbit from the West are believed to have amounted to about 11,000 metric tons in 1951, and to be continuing at a high rate.

FAR EAST

3. Peiping attacks alleged US "Asians to fight Asians" plan:

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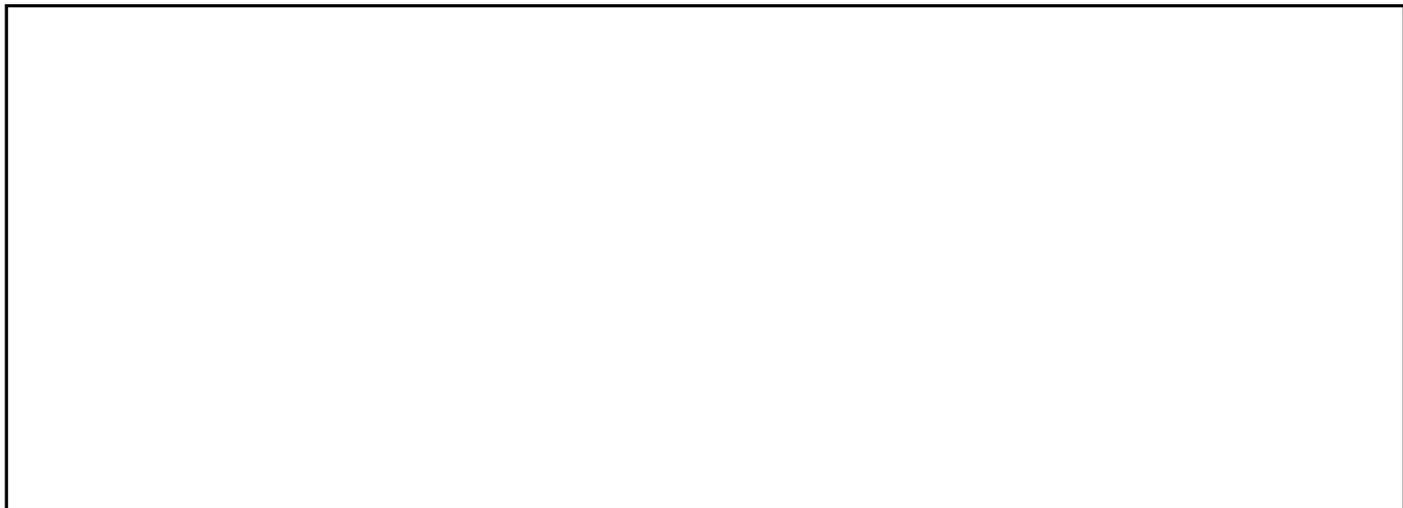


The American Consul General at Hong Kong believes that Chinese Communist psychological strategists have an "effective theme" in their current attacks on an alleged American plan to use "Asians to fight Asians."

Peiping's line, emphasizing the racial aspects of the manpower question in Korea, asserts that the United States intends to use Asian troops in increasing numbers in Korea. The propaganda urges Asians not to fight for "American interests."

Comment: This theme, introduced into Peiping propaganda the past week, will almost certainly be increasingly exploited by the Communist world.

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NEAR EAST - AFRICA

6. Comment on Nagib-Shishakli statements at Cairo meeting:

The inflammatory statements made by General Nagib and Syrian Colonel Shishakli during the latter's current visit to Cairo appear to be aimed at bolstering their domestic positions. Both men emphasized Arab union and a readiness to use force, and voiced hostility to those opposing Arab aspirations.

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The meeting in no way aims at union between Egypt and Syria; nor does it indicate any forthcoming military action against Israel. The statements do reflect Arab anger at recent UN action on Tunisia and an Arab-Israeli peace, as well as a growing determination to make the Arab League an effective force in international politics.

The emphasis on themes popular with the street crowds shows the unwillingness of Arab leaders to challenge mob rule and to urge moderation in solving Arab problems.

7. Egypt reportedly willing to let Sudan negotiations fail:

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Egypt will permit Anglo-Egyptian negotiations on the Sudan to break down if Great Britain continues to insist on special treatment for the southern Sudan, the chief remaining point of disagreement.

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According to the Embassy, there are indications that the regime is tempted to forego protracted negotiations and to revert to the appealing theme of "national struggle" to increase popular support.

Comment: This is the strongest evidence to date that the military regime may drop its bold policy on the Sudan and return to the unyielding nationalist position of former regimes.

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WESTERN EUROPE

8. French deputy in US to press for NATO alternative to EDC:

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French Radical Socialist leader Paul Devinat, who will endeavor to discuss the EDC treaty situation with President-elect Eisenhower, told the American Embassy in Paris before

his scheduled departure for New York on 13 December that some way must quickly be found "to save face" on this question lest the entire European cooperation concept suffer a serious blow. He believes that the recent developments in Bonn will make Bundestag approval impossible or at least further discourage the French deputies from ratifying the treaty.

In Devinat's opinion, the only way out of the impasse is for NATO to work out a solution leading to admission of the Federal Republic to membership. Otherwise, the French Government will be forced to delay indefinitely its attempt to obtain ratification.

Comment: While the Paris Embassy previously reported that "a NATO solution" was gaining adherents in the French National Assembly, a majority of the deputies probably do not at present favor creation of a German national army or Germany's admission to NATO.

9. Early fall of Pinay government seen possible:

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The American Embassy in Paris believes that Premier Pinay will find it exceedingly difficult to win the vote of confidence which he has suddenly asked from the National

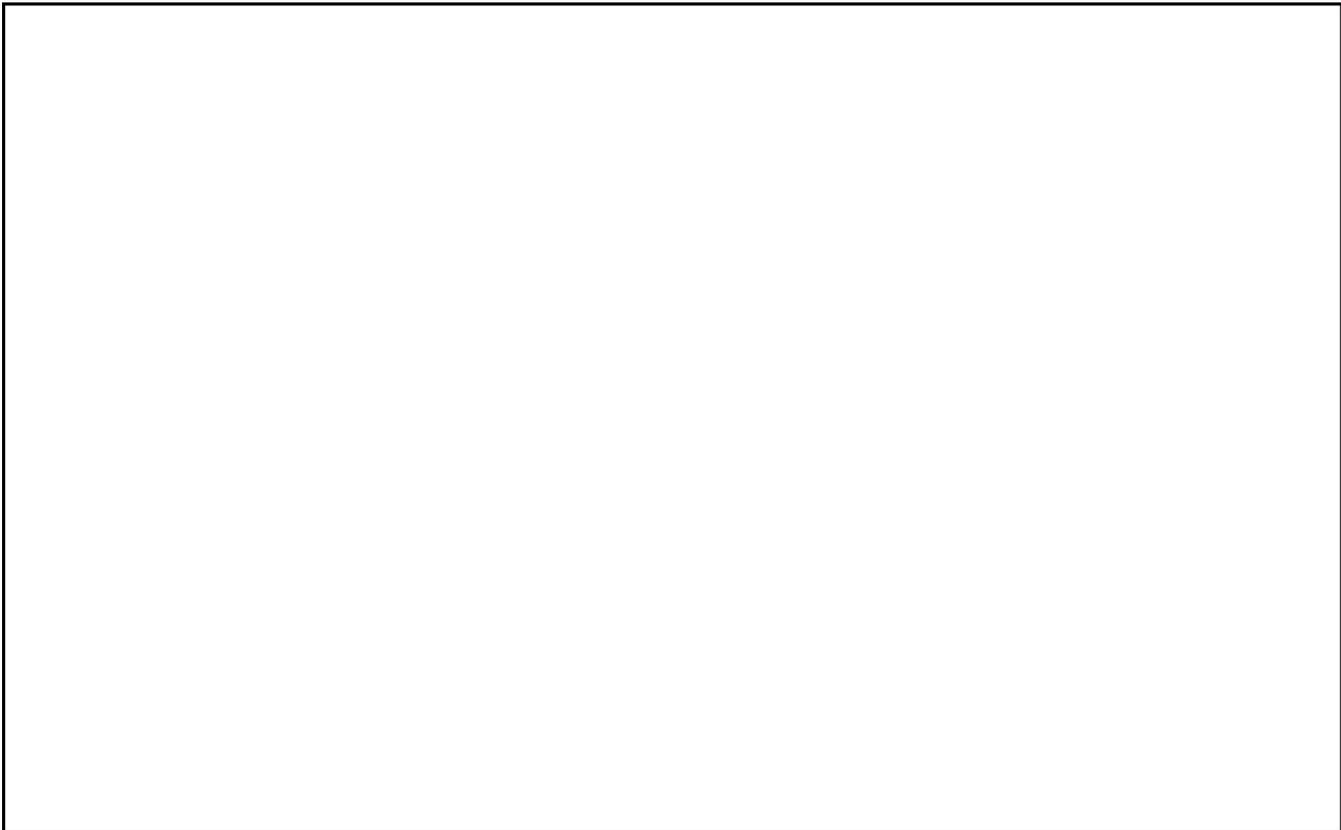
Assembly on his request for powers to effect tax reforms by decree. The date for this vote is to be determined on 16 December.

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The Embassy feels that Pinay has weakened his position by giving in to farm interests while standing firm against increases in family allowances and pensions, and warns that his prospects look worse almost daily.

Comment: The prospective new test for Pinay is much more serious than other recent ones in view of what the Embassy calls a "radical change" in the Gaullists' position. The recent announcement by De Gaulle's spokesman in the Assembly that his party is ready to enter a coalition government in the next cabinet crisis means that some deputies in Pinay's coalition may now wish to overthrow him. Their motive would be to bring about a stronger coalition government by participation either of De Gaulle's party or of the dissident Gaullists, whose ranks would be swelled if the general set unreasonable conditions for participation.



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