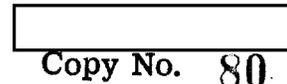


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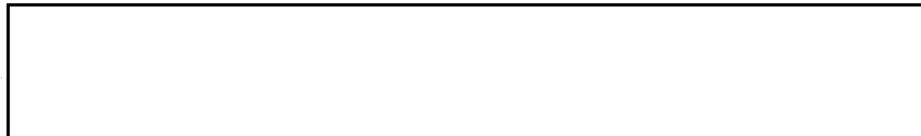
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State Dept. review completed

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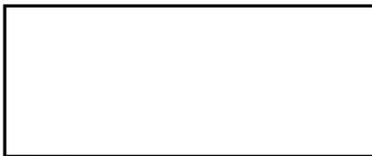


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SOUTHEAST ASIA

2. French official tells Cambodians admission to SEAP blocked by US:

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The Cambodian minister of justice told the American chargé in Phnom Penh on 28 August he had been advised by the French acting high commissioner that the United States considered Cambodian participation in SEAP undesirable.

The French official had added that France had no objection to Cambodian participation.

Comment: The American position is that Cambodia should be covered by the pact and should send an observer

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to the Manila conference. Cambodian membership in the pact would be determined by the conference itself. More recently, the Cambodian ambassador in Washington stated that in the face of British opposition his government could not be a member of SEAP.

The French are strongly opposed to the establishment of an American military mission in Cambodia or the extension of American influence there and seldom miss an opportunity to hamper closer understanding between the United States and Cambodia.

NEAR EAST - AFRICA

3. American ambassador comments on Saudi government changes:

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Ambassador Wadsworth in Jidda states that the resignation of Finance Minister Sulaiman on 30 August and the appointment of Crown Prince Faisal as prime minister on 15 August mark the "coming of age" of the new Saudi regime.

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Comment: These developments, particularly the removal of the anti-American Sulaiman, suggest that Saudi is interested in improving relations with the United States.

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4. Comment on Egyptian cabinet changes:

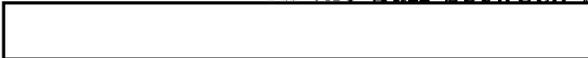
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The Egyptian cabinet changes of 31 August are the latest move by the Nasr regime to tighten its control. They were apparently prompted by internal wrangling and indications of popular opposition which emerged following the Suez agreement. For the first time, all 11 members of the Revolutionary Command Council are included in the cabinet and civilian participation has become negligible.

The assumption of the additional responsibility of the Ministry of War by Major General Hakim Amir, 34-year-old commander in chief of the armed forces and a close associate of Nasr, reflects the regime's concern over evidence of dissension in the army. The selection of a young army officer as minister of education suggests that the regime will exert stricter authority over the politically active student groups. The new finance minister's chief qualification is believed to be his demonstrated loyalty to the regime. He is, however, considered technically competent.

The regime may be expected to depend increasingly on authoritarian methods to maintain its position. This will tend to widen the gulf between the military clique and the people.



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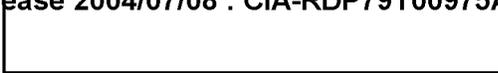
EASTERN EUROPE

5. East German morale at new low:

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Public morale in East Germany has reached a new low, according to the assistant United States high commissioner in Berlin. This decline in morale has resulted from disillusionment over prospects for removal of the Communist regime and disappointment at what the Germans consider to be weakness on the part of the Western powers. Recent events, such as the outcome of the Geneva and Brussels conferences, the Otto John and Schmidt-Wittmack cases, and the fate of EDC, have contributed to a further drop in public spirits.



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The assistant high commissioner points out that observers agree that there are practically no slowdown or work-obstruction movements in East German factories and that there is a reluctance to take unnecessary risks for purposes of defiance alone. He considers it unlikely, however, that this tendency toward superficial conformity will reach the point where the USSR will believe it can afford unilaterally to remove its troops.

Comment: The drop in morale contrasts sharply with the open resentment that characterized the popular temper before the Berlin conference.

WESTERN EUROPE

6. EDC failure puts Rome in foreign policy dilemma:

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According to the American embassy in Rome, the Scelba government is in a politically explosive situation as the result of the French rejection of EDC. Both the right and the left are attacking the government for the "total failure" of its foreign policy, and are pressing the government to take the initiative to re-establish Italy's prewar position in Europe and the Mediterranean.

Comment: The Italian government has long been under fire from nationalist groups for its failure to win participation in top-level decisions in NATO, and for not gaining a favorable Trieste settlement. Unless Scelba can show tangible benefits for Italy in negotiations on the German rearmament problem, sufficient public resentment of the West's treatment of Italy might be generated to force his government either to resign or to reconsider its present policy of co-operating with American objectives in Europe.

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7. Yugoslav diplomat says Britain now in position to lead Western alliance:

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The Yugoslav ambassador in Paris told Ambassador Dillon on 31 August that Britain is now in a position to arbitrate between France and Germany as well as between the United States and continental Europe, and to "call the tune" for the entire Western alliance. He termed the defeat of EDC "a triumph of classical British diplomacy."

Comment: The British press has expressed disappointment at the French vote on EDC, but has pointed out that it gives Britain a second chance to lead Europe.

The Yugoslav ambassador's impression is shared by many Western European countries, which will consequently now look to Britain for leadership on defense.

LATIN AMERICA

8. New Brazilian regime taking strong anti-Communist action:

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The new Brazilian government is determined to forestall subversion in the army, and has relieved three high-ranking officers suspected of Communist connections, according to the American embassy in Rio de Janeiro. One of these officers is General Estillac Leal, commander of the important Central Military Zone headquarters in Sao Paulo.

Comment: Estillac's removal and reported government progress in dissuading labor leaders from supporting the strikes scheduled for 2 September in Sao Paulo and elsewhere point to a setback for Communist plans.

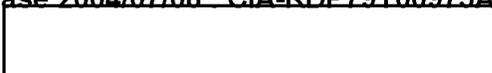
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Failure of the strike plans would lend much-needed prestige to the new government as it faces the October congressional elections.

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9. Comment on dissolution of government junta in Guatemala:

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With the peaceful resignation of Colonel Monzon and Major Oliva from the junta ruling Guatemala, Castillo Armas assumed the presidency and is now in a stronger position than previously. This action climaxes several weeks of deteriorating political stability, during which time there have been two small abortive revolts by army elements and even the rumor of a possible Communist attempt to seize two important military installations. On 26 August Cordoba Cerna, top civilian adviser to Castillo, told Ambassador Peurifoy he planned to give Castillo an ultimatum to reorganize the junta and purge the army or face ouster.

This move improves the prospects for putting a provisional constitution in force and then convening a constituent assembly that would prepare a permanent constitution and schedule general elections. It is possible Colonel Monzon will be sent on some special mission to gain military or economic aid from the United States, thus permitting Castillo to further strengthen his control over the country.

There appears to be no possibility of a resurgence of Communist leadership at this time. Both the regular army and the liberation forces are anti-Communist. Top Communist organizers and leaders such as Fortuny, Pellecer and Gutierrez have been granted asylum in foreign embassies, less important ones are in hiding, and none is known to have an organized band of followers in Guatemala prepared for militant action.



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