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SECURITY INFORMATION

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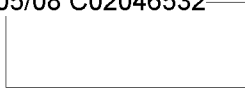
**CENTRAL INTELLIGENCE AGENCY**

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## FAR EAST

1. Chinese Nationalists reportedly preparing for attack on Yunnan:

Burmese police in the Shan State of Kengtung were ordered by their Rangoon headquarters on 8 January to verify reports that Chinese Nationalists in Burma near the Chinese border were recruiting new troops and planning to attack Communist China with a force of 20,000 men.

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Comment: [REDACTED]

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There are, however, no firm indications that such action is imminent. The figure of 20,000 far exceeds any previous estimate of organized Nationalist military strength in northeastern Burma.

Communist forces in Yunnan are now more capable of repelling an attack than they were last summer, when Li Mi's Nationalist troops were severely defeated and forced to retreat into Burma.

2. Viet Minh general offensive in south predicted:

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[REDACTED] the Viet Minh will launch a general offensive in South Vietnam aimed at further isolating Saigon. The attack will begin near the end of February and will be "linked" with operations in Tonkin.

Comment: The major task assigned to the Viet Minh forces in South Vietnam is to prevent by harassing operations the diversion to Tonkin of any of the 50,000 French troops now in South Vietnam. The over-all position of the Viet Minh in South Vietnam, as estimated by French intelligence [REDACTED] deteriorated somewhat during 1951. While some increase in Viet Minh activity in the south is possible, it is hardly likely that a general offensive could be undertaken now.

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## SOUTH ASIA

3. Comment on the abortive revolt in Nepal:

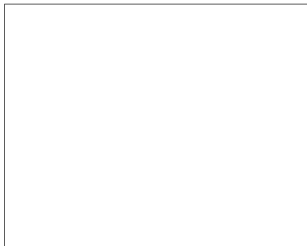
The one-day abortive revolt in Nepal, which began on the night of 22 January, is indicative of the type of armed, Communist-encouraged uprising expected to occur there with increasing frequency in the future. Its ostensible aim was to obtain broader representation for all political groups, including the Communists, in the Nepalese Government.

The revolt was led by K. I. Singh, a leftist former leader of the Nepal Congress Party which overthrew the century-old, feudalistic government of Nepal in January 1951 with unofficial Indian assistance. He had been involved in two unsuccessful armed attempts to unseat the Congress Party government during 1951.

In the current uprising Singh had the aid of the Raksha Dal, a disaffected Nepal Congress Party police organization reportedly containing hooligan elements and former members of the Indian National Army, which fought for the Japanese during World War II.

Incidents such as this revolt may lead the Government of India to conclude that the Nepalese Government is no longer capable of maintaining order and that India should take over administration of the state as it did in the case of Sikkim in 1948.

## NEAR EAST - AFRICA

4. Iran may force all foreign consulates to close:

An Iranian Foreign Ministry spokesman told  that the government intends to close all foreign consulates in Iran.

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Comment: The US Ambassador has reported the possibility that the US consulates in Iran might be closed. Supporters of Prime Minister Mossadeq, including the religious leader Kashani, who exercises great influence over rightist terrorist elements, have publicly advocated such a move. It is probable, however, that no action to close the American consulates will be taken unless Mossadeq becomes more irritated over American policy.

5. Shah plans no action to remedy desperate Iranian situation:

There is no evidence that either the Shah or the General Staff has any plan to cope with the deteriorating internal situation, according to the American Ambassador in Tehran. He agrees with the British Ambassador that the Shah will not interfere with Prime Minister Mossadeq's present policies, unless a situation develops in which the Shah finds it "easier and more comfortable to do something than to do nothing."

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Comment: The Shah's indecision and the inaction of the General Staff have been apparent for some time.

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6. British not disturbed by Iranian financial outlook:

British Embassy officials in Tehran hope that Iran's financial prospects will not frighten the United States into granting budgetary aid. They cite Iran's past ability to get along despite its periodic protests of having reached "the bottom of the barrel."

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According to the British Economic Counselor, the government might run out of currency next month, but can get along until April by selling gold and foreign exchange. By that time he feels there might be "either a new government or new policies that would enable the country to live through its economic crisis without any severe amount of unrest."

Comment: British officials, who hope that deteriorating conditions may compel the government to come to some agreement on the oil question, have been less worried than the US by the possible political effects of the Iranian financial situation. Ever since the first difficulties in 1949 over the ratification of the Anglo-Iranian Oil Company's Supplementary Agreement, however, the British have consistently maintained that financial considerations would restrain Iranian actions.

7. Tunisians state willingness to accept gradual reforms:



The Tunisian Cabinet and the Bey are united and undismayed by threats to depose the Bey and other forms of French pressure. According to an influential member of the Cabinet, the

Tunisians are moderate in their demands for greater autonomy and would accept a gradual transfer of authority. They would not, for example, insist on the immediate replacing of all the French department directors by Tunisian Ministers.

Comment: The current riots, an outgrowth of demonstrations staged by Tunisian nationalists, are an indication of the strong resentment against France felt by all segments of native opinion. Although North Africans generally display little interest in developments in foreign countries, incidents such as the brutal dispersal of crowds are creating restiveness in neighboring Algeria and Morocco.

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## WESTERN EUROPE

8. West Berlin trade permits again rejected by USSR:

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Soviet authorities in Berlin on 22 January once again rejected a large number of export permits submitted to them by West Berlin manufacturers for clearance.

United States High Commissioner McCloy states that unless further investigation reveals a satisfactory explanation, the Allies will probably drop their plan to permit the West Germans to renew interzonal trade.

Comment: This is the first rejection of export permits since 3 November. The renewal of Soviet harassing tactics suggests that the Communists might risk further restrictions on interzonal trade, provided the USSR could derive the necessary political benefits, such as division of the Allies and increased West German sentiment for East-West German rapprochement.

9. Eden fears parliamentary criticism on Far East policy:

Expecting heavy criticism from elements of both parties when Parliament reopens on 29 January, Foreign Secretary Eden is trying to convince Opposition leader Attlee that no seri-

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ous additional British commitments on Far Eastern issues were made during the recent Washington talks, and that the country's foreign policy remains substantially as it was under the Labor government. The United States Embassy reports that not only Labor Party leaders, but also important Conservative interests with business connections in the Far East are deeply concerned. The government will be severely cross-examined and criticised regardless of Eden's success or failure in winning Attlee over to continued support of a bipartisan foreign policy.

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~~TOP SECRET~~10. Government crisis reported impending in Italy:

[REDACTED] The United States Embassy in Rome believes 3.3(h)(2) there is a possibility that the Italian Parliament will defeat the government's bill to increase the wages of state employees, and that this will cause the fall of present government. The government's usual supporters, who favor larger increases than the bill would provide, are divided on this issue.

The fact that a parliamentary crisis is threatened over this relatively minor issue demonstrates the difficulties facing Premier de Gasperi and the serious opposition to the government's general financial policy.

Comment: The proposed bill for increased wages, which is considered inadequate by both Communist and non-Communist labor, points up only one aspect of this general discontent with the present regime. Both the right and left wings of the Christian Democratic Party have long been dissatisfied with the government's financial program, and both, for different reasons, object to the deflationary effects of Budget Minister Pella's conservative policies.

## SCANDINAVIA

11. Comment on Finnish Premier's plea for Scandinavian neutrality:

Finnish Premier Kekkonen's published interview in his party's newspaper urging Finland's Scandinavian neighbors to "establish and secure neutrality" follows hints by a Soviet diplomatic official late last fall that the USSR would view favorably the formation of an independent Scandinavian defense alliance. Kekkonen emphasized the benefit to Finland of having neutrality assured in the north, since this would remove even a theoretical threat to the USSR of invasion through Finland.

While Prime Minister Kekkonen has not hesitated in the past to use his ability to deal with the Russians for personal internal political reasons, his recent successes in the Finnish Parliament would make it unnecessary for him at this time to make his statement for such reasons. It is possible, therefore, that Kekkonen put out this feeler at the behest of the USSR.

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