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**SUMMARY**

**FAR EAST**

1. Increase of Chinese troop strength near Hong Kong reported (page 3).

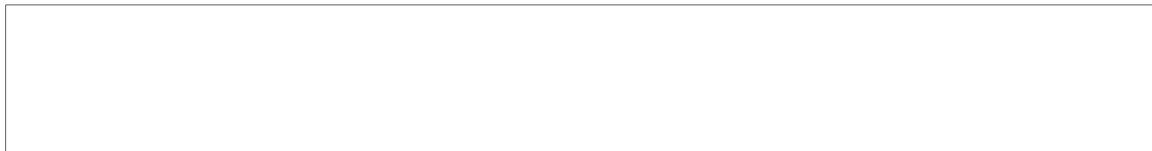
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## FAR EAST

1. Increase of Chinese troop strength near Hong Kong reported:

[redacted] the Paoan district, about fifty miles northwest of Hong Kong, 40,000 Chinese Communist troops arrived there on 11 February. The source estimates that there are now 80,000 Communist forces in this area alone.

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Comment: Chinese Communist troop strength in the Hong Kong build-up area has been estimated by Far East Command at 75,500, including 8,000 troops in artillery and mechanized units.

Chinese Communist propaganda on Hong Kong has been unprecedentedly threatening during the past three weeks, but has not yet suggested imminent attack.

## NEAR EAST - AFRICA

2. Iranian Senate insists that oil negotiations continue:

[redacted] The Iranian Senate is thoroughly aroused over the reported break in the World Bank's negotiations with Mossadeq on the oil problem and intends to make certain that the talks do not cease. The president of the Senate has informed the American Ambassador in Tehran that the Senate considers, however, that it would be unwise to insist on acceptance of an agreement which runs counter to public opinion and consequently could not be enforced for any length of time.

3.3(h)(2)

Comment: Unexpected Senate intervention in the talks between International Bank officials and Mossadeq apparently prevented a breakdown. There may now exist the opportunity that a fair offer with appropriate face-saving devices may actually be given genuine consideration by moderate Iranians. Mossadeq is still captive to the intolerance and hypernationalism he helped arouse. The importance of intervention by the Senate, whose power and influence is subordinate to that of the Majlis, should not be overemphasized.

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**3. Increasing friction reported between Mossadeq and chief supporter:**

Iranian Minister of Court Ala believes that there is growing friction between Prime Minister Mossadeq and National Front Deputy Kashani. 

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Mossadeq did not give him sufficient support in the elections, and he is displeased by the Prime Minister's hesitation in granting his request for political patronage.

Comment: Friction between various members of the National Front coalition has been reported previously and may be expected to grow as conditions deteriorate and the National Front comes under increasing pressure for economic and social reforms.

While it is possible that this friction is responsible in part for the recent attempt to assassinate Deputy Fatemi, there is no indication that Mossadeq's control of the National Front has yet been seriously threatened. The withdrawal of Kashani's support would seriously damage Mossadeq's position, since Kashani occupies a unique position in religious-nationalist circles.

**4. Iranian Communists prove most powerful opposition group in Tehran elections:**

Election returns from Tehran indicate that the illegal Tudeh Party is the strongest organized opposition in that electoral district. Although the National Front won all twelve parliamentary

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seats from Tehran, a Tudeh-sponsored candidate gained fourteenth place with 29,000 votes as compared with the top Nationalist candidate's 112,000 votes.

The American Embassy notes that the National Front has covertly been trying to divert the loyalty of the security forces from the Shah to the government. It fears that continuation of this policy, together with the expected deterioration of the economic and political conditions, would create a political vacuum in which the Tudeh would be left as the only effective organized group.

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Comment: National Front control is expected to prevent the election of most Tudeh-sponsored candidates. Accordingly, the Communists are not in a position to obtain control of the government by legal means. Mossadeq's actions since taking office, however, indicate that he will continue to do all he can to limit the powers of the Shah and the Army. This policy, combined with Mossadeq's unwillingness to take stringent measures against them, will undoubtedly strengthen the Communists, and there is a real danger that they may eventually attempt to seize power.

5. Egyptian domestic situation may result in dissolution of Parliament:

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the domestic situation in Egypt may necessitate the dissolution of Parliament in order to eliminate the power of the Wafd.

that Farouk will urgently press for an investigation of those responsible for the January riots in Cairo. He added that some elements of the Wafd were in contact with local Communists and were conspiring against the throne.

Comment:

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the King is still considering dismissal of the Wafd-controlled Parliament. Any newly elected Parliament, however, would probably be controlled by the Wafd; consequently, the government would have difficulty in escaping that party's influence. Ruling without Parliament could probably be accomplished only with the aid of martial law.

Shadowy connections exist between the Wafd and the Communists. Some Wafd leaders, such as former Foreign Minister Salaheddin, were opportunistically inclined to do business directly with the Soviet Union.

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6. Tunisian moderates endorse nationalist aspirations:

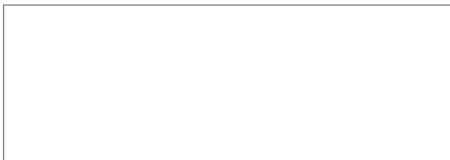
The American Consul General in Tunis reports that Tunisian solidarity has been increased by the recent violence and that even non-nationalists are expressing their allegiance to Habib Bourghiba. No reputable Tunisian is likely to accept a post in a Cabinet reorganized at French insistence in opposition to Neo-Destour will and policy.

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The Consul General states that, were France to stop haggling about conditions under which negotiations would be resumed and to present concrete proposals, an amicable settlement might be reached.

Comment: Increased Tunisian solidarity is confirmed from other sources. French Government preoccupation with other pressing problems apparently has prevented a full study of a solution to the Tunisian crisis. There is no indication, however, that French policy-makers contemplate meeting the Tunisian Government's demands in any respect.

## WESTERN EUROPE

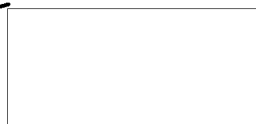
7. West German Cabinet shifts predicted:

Chancellor Adenauer is reportedly about to name two new key cabinet members. Heinrich von Brentano, present leader of the Christian Democrats in the Bundestag, confirms that he has been offered the Foreign Affairs Ministry post now held by the Chancellor, and Eberhard Wildermuth, present Housing Minister, will reportedly be named chief defense adviser, or future Minister of Defense.

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Brentano, who has not yet formally accepted the offer, states that he must accept the post and risk a possible clash with the Chancellor by continuing his attempts to bring about a bipartisan approach to foreign affairs with the opposition Social Democrats, which he feels is imperative.

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Local American officials comment that Brentano is unlikely to challenge Adenauer's authoritarian methods to any great extent.

Comment: Adenauer's party has reacted unfavorably to the Chancellor's "inept" handling of the opposition during the rearmament debates in the Bundestag on 7 and 8 February.

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Wildermuth has shown an interest in the defense post for some time, although he has not been mentioned prominently as a candidate for the position since late 1950.

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