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GENERAL

1. Comment on Molotov's opening statement at Berlin:

Foreign Minister Molotov's opening statement at the four-power conference indicated very little change in the Soviet position. Molotov raised the possibility of a prolonged deadlock at the outset by demanding that the first item on the agenda be the convening of a subsequent five-power conference. He is unlikely, however, to permit the conference to break down over this issue.

Molotov's proposal that the Austrian state treaty be discussed at Berlin was the first explicit Soviet agreement to this Western demand. His suggestion that the treaty be based on existing agreements foreshadows Soviet opposition to any alleviation of the harsh economic terms of Article 35. The demand that Austria never again become the tool of German militarism suggests that the Soviet Union will insist on a neutrality clause in the treaty.

Molotov did not repeat the familiar Soviet theme that a German settlement would facilitate agreement to an Austrian treaty. [redacted]

2. Chilean copper may go to Communist China:

Comment: This is apparently the first shipment of Chilean copper destined for Communist China since the UN resolution of May 1951.

It is not known whether this copper will be transshipped to China through a Western European port. Within the past month President Ibanez has reiterated that Chile will continue to respect its international commitments in prohibiting copper sales to the Soviet Orbit.

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SOUTHEAST ASIA

3. Viet Minh attack on Dien Bien Phu expected within week:

[redacted] [redacted]
 the French estimated as of 26 January that the Viet Minh would attack Dien Bien Phu within a week. One defensive area had been under harassing mortar fire for 48 hours and enemy intelligence reconnaissance units were active to the west and north of the town.

The French High Command believes the French position could be critical, since Viet Minh firepower at Dien Bien Phu is double that used in a similar situation at Na San in November 1952.

Comment: It is still not certain that the Viet Minh will try an all-out assault on Dien Bien Phu. The Communists may first undertake probing attacks to test French defensive capabilities before deciding their course of action.

NEAR EAST - AFRICA

4. Jordan may request British military assistance:

[redacted]
 A senior Jordanian official told Ambassador Mallory that Jordan must get military and financial assistance from a source other than the Arab League countries, since they are reluctant to continue contributing funds to the Jordanian National Guard.

The official stated that since Jordan is "fighting for its existence," it is seriously considering offering Britain military facilities as an alternative to the Suez base, despite the disfavor such a move would meet both in the Arab world and among ultra-nationalistic Jordanian circles.

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Comment: The Jordanian government was under strong domestic criticism last October when the Arab Legion failed to repel the Israeli attack on Qibya. Arab League states voted to provide considerable financial support for the Jordanian National Guard along the Israeli border, but they have been slow to meet their commitments.

5. Break reported between Nagib and Revolutionary Command Council:

[REDACTED] General Nagib's relations with the Revolutionary Command Council have deteriorated to such an extent that he refuses to preside at cabinet and council meetings, [REDACTED]

The split reportedly results from Nagib's objection to the council's policy of using the Suez issue to blackmail the West.

[REDACTED]

EASTERN EUROPE

6. East German community opposes Soviet requisition of dwellings:

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Comment: While the East Germans have frequently expressed discontent with measures of their government, instances of overt opposition to the occupation forces have been rare since the June riots.

WESTERN EUROPE

7. Laniel reportedly exploring EDC's chances before considering changes:

[redacted] Premier Laniel and Foreign Minister Bidault have stated they will not consider the need for changes in the EDC treaty until they have thoroughly explored parliamentary sentiment during the current recess.

[redacted] After this study they will decide whether the treaty has a better chance to pass parliament in its present form or with modifications.

Comment: This report indicates that Laniel is more concerned with the view of parliament as a whole toward EDC ratification than with mollifying the ex-Gaullist supporters of his coalition.

8. Finland and USSR to negotiate gold loan and settlement of trade credit:

[redacted] A Finnish delegation headed by Trade Minister Aura left for Moscow on 25 January to negotiate a gold loan and a settlement of Finland's trade credit with the USSR.

Comment: Finland anticipates an export surplus of some \$15,000,000 with the Soviet Union during 1954, and hopes to obtain a Soviet commitment to settle all or part of this credit in sterling or gold.

The Finns have shown some interest in the Soviet offer of a gold loan, which would permit them to expand their non-woodworking industries. These have not been covered by loans from the International Bank for Reconstruction and Development.