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CENTRAL INTELLIGENCE AGENCY

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1. BRITAIN RECONSIDERING EXTENSION OF DISARMAMENT AGREEMENT TO COMMUNIST CHINA

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Britain is reconsidering its position on the question of Communist China's adherence to any first-step partial disarmament agreement. According to a Foreign Office official, the vigorous dissent expressed by Australia and New Zealand at the Commonwealth prime ministers' conference to Britain's "reluctant" agreement with the United States that Communist China need not be included in the first phase has affected London's views on this subject.

Australian Prime Minister Menzies took the position that Peiping's present expansionist policy makes it imperative that Communist China should in some way be bound by a first-phase disarmament agreement. New Zealand and India voiced the same opinion.

At the close of their conference, the Commonwealth leaders issued a generalized statement calling for Communist China's eventual participation in disarmament negotiations.

London has agreed to support the moratorium formula on Chinese representation at the UN General Assembly this fall, but any such international recognition of Peiping as its adherence to a first-step disarmament agreement would further jeopardize Taipei's position in the UN, particularly its claim to a permanent seat on the Security Council.

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2. FRENCH LEGISLATIVE COMMITTEE MOVES TOWARD RECOGNITION OF COMMUNIST CHINA

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The foreign affairs committee of the French National Assembly met on 10 July to consider a resolution urging the government to proceed toward recognition of Communist China, and plans to vote on the question on 17 July. If the vote is favorable, committee chairman Daniel Mayer may decide to bring up the resolution in the assembly before the summer recess.

Comment The committee secretary believes the resolution will receive a favorable vote in committee. There is a likelihood, however, that the assembly will postpone debate until fall in view of its heavy schedule and the deputies' desire for early recess.

Important business interests, particularly those seeking expanded trade with the Far East, favor recognition. Former premier Edgar Faure, who has just returned from Peiping, is one of several influential deputies who urge such a step.

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4. SOVIET UN OFFICIAL CLAIMS PURGE MAKES POSSIBLE BETTER US-SOVIET RELATIONS

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A member of the Soviet UN delegation, Igor Vasilyevich Chechyetkin, told Ambassador Wadsworth on 10 July that the top-level changes in the Soviet leadership would mean an improvement of relations with the United States if the United States really wanted an improvement. He warned, however, that the changes would not mean any modification of basic Soviet principles and objectives, and that the United States would be greatly mistaken if it expected a wholesale retreat from previous Soviet positions.

He said the United States could expect a more flexible Soviet approach to existing problems which would make it possible to settle "little by little" some of the outstanding issues. He stressed that agreement would be item by item and that the United States should not expect to settle all differences at one time.

Chechyetkin's remarks are similar to those made to American officials by members of the Soviet disarmament delegation in London on 4 July. Soviet broadcasts since the purge also have warned the West against expecting far-reaching changes in Soviet foreign policy.

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5. ITALIAN COMMUNIST REACTION TO SOVIET PURGE

Comment on:

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The Italian Communist Party is on the defensive to some extent over the purge in Soviet leadership, and Togliatti admitted in a 7 July Unita editorial that it "had shocked certain comrades."

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The official party reaction, however, had been calm approval. Togliatti's initial Unita editorial on 5 July stated that the condemnations were absolutely necessary and fully justified and that they were a safeguard against a repetition of the errors of the Stalin era.

A Communist delegation, headed by Vice Secretary General Luigi Longo, reportedly will leave soon for the Soviet Union to spend a few weeks studying "how the decisions of the 20th congress have been carried out."

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7. SITUATION IN INDONESIA

President Sukarno will install his predominantly leftist national council on 12 July even though seven of the 45 seats are still vacant. It will hold its first meeting on 13 July.

Sukarno on 9 July called for the establishment of a "new-life movement" to promote both "self-correction" and a "mental revolution" throughout Indonesia. The American embassy suggests that Sukarno's latest proposal appears to be designed as a new rallying cry to arouse popular emotion and support in his scheme to "uplift" the nation.

Despite Sukarno's maneuvers, no progress is being made toward the solution of Indonesia's most pressing problems. Prime Minister Djuanda stated on 9 July that it was impossible for the government to meet the economic demands of the disaffected provinces. He announced, however, that the $100,000,000 Soviet technical aid agreement--initialed last September--has been approved by the cabinet and submitted to parliament for discussion. Djuanda said the loan would be used primarily for capital goods and equipment and for the services of experts who would train Indonesians in technical and managerial matters. The agreement will probably be ratified in view of the increasingly acute need for funds to carry out the government's long-promised development program.

The deputy chief of staff went to Celebes on 10 July in a new attempt to end the disaffection of Lt. Col. Sumual in East Indonesia.

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ANNEX

Watch Report 362, 11 July 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.

B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future.

C. Early deliberate initiation of hostilities by Israel or the Arab states is not probable. Although tensions continue between the Arab states and Israel and among certain Arab states themselves, these are not likely to lead to serious conflict in the immediate future.

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