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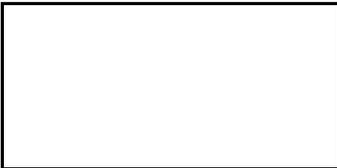
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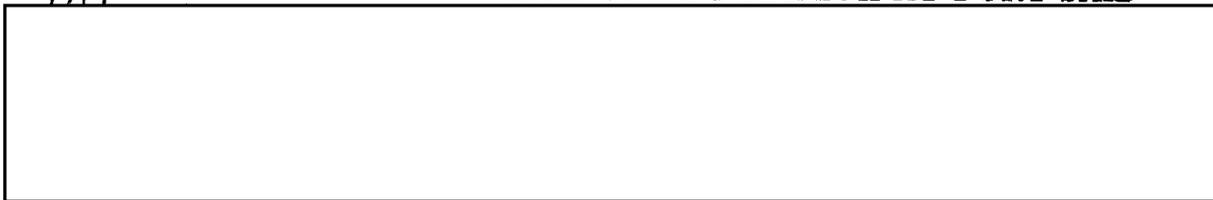
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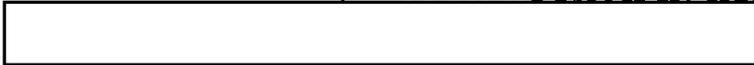
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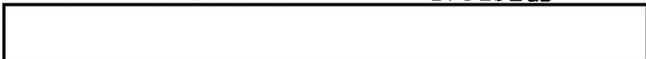
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1. SOVIET COUNTERMOVES TO THE NATO CONFERENCE

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The speeches of Soviet party chief Khrushchev and Foreign Minister Gromyko before the Supreme Soviet emphasize the USSR's position that the West, to bring about any lessening of international tensions, must acknowledge the new "balance of forces" caused by Soviet technological advances. The Supreme Soviet "instructed" the government to "consider the question of a further reduction of the armed forces of the USSR," while maintaining the "remaining strength" of the Soviet armed forces at a "proper level" pending an international disarmament agreement. The United States, Britain, and France were called on to undertake similar reductions.

Khrushchev called on the United States to cast its "positions-of-strength" policy on "history's dust heap," and instead "recognize the existing situation." The Kremlin apparently believes that a general world settlement on the basis of the status quo would appeal to Western statesmen, who are faced with the economic demands necessary for Western defense efforts.

While Gromyko did not categorically reject the proposal made in the NATO communiqué for a foreign ministers' conference to discuss disarmament, he stated that the USSR would not agree to such a meeting if the basis of discussion were the resolution recently passed by the UN General Assembly endorsing the Western disarmament position. The Soviet foreign minister proposed that a special session of the UN General Assembly or a broadly representative conference be called. Both Gromyko and Khrushchev called for a "summit conference" of capitalist and Communist states; however, Khrushchev urged that bilateral negotiations be held first between the United States and the Soviet Union.

The USSR's countermoves to the NATO meeting are probably based on the calculation that their proposals will gain time for Soviet diplomacy to exploit the political impact of their technological gains and thus increase world pressure on the West to negotiate on Soviet terms of "equality."

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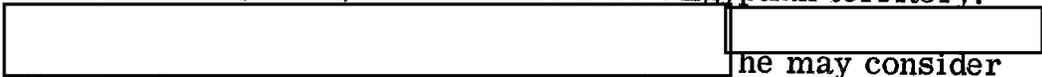
3. NASIR TO MAKE MAJOR POLICY SPEECH AT PORT SAID

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The address scheduled by President Nasir for delivery at Port Said on 23 December, billed as a "major policy speech," may contain a demand that the United Nations Emergency Force (UNEF) be withdrawn from Egyptian territory.

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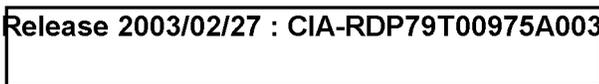


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he may consider the Port Said anniversary celebration of last year's withdrawal of the French and British "aggressors" the appropriate occasion. UN members generally agree that the UNEF can remain only with Egyptian approval.

A demand for withdrawal would risk censure from Western quarters, which would interpret the removal of the UNEF as a threat to the stability of the area. On the other hand it would probably evoke strong popular Arab approval and provide the type of dramatic political action which sustains the Nasir regime. Nasir's recent actions aimed at bettering relations with the West suggest, however, he does not wish to do anything to disturb this trend.

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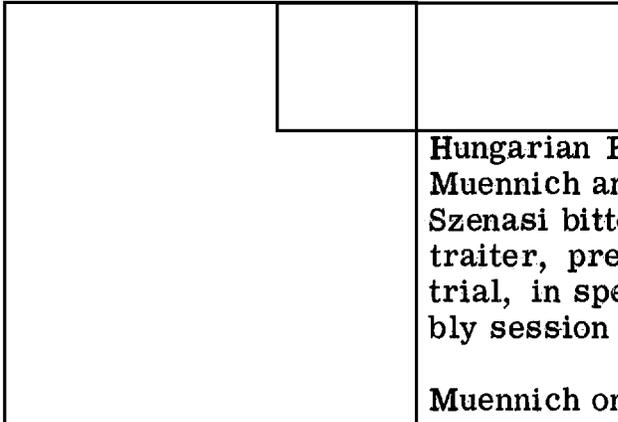
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5. IMRE NAGY UNDER BITTER ATTACK IN HUNGARY

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Hungarian First Deputy Premier Ferenc Muennich and Supreme Prosecutor Geza Szenasi bitterly attacked Imre Nagy as a traitor, presumably as a prelude to his trial, in speeches to the National Assembly session just ended.

Muennich on 20 December accused Nagy of trying to set Hungarians against "their best friends, the Soviet Union," and charged that Nagy, by negotiating for the withdrawal of Soviet troops from Budapest, where they had come under the provisions of the Warsaw pact, permitted "counterrevolutionary" elements to seize power.

Szenasi spelled out the probable court charge that "the traitorous group led by Imre Nagy," in alliance with Horthyites, clerical reactionaries, and right-wing leaders of former coalition parties, "cleared the way" for and then led the counterrevolutionary forces "in open treason." Szenasi also asserted that the "liquidation of the counterrevolution" was an internal Hungarian affair--apparently a rebuff to efforts by the United Nations to obtain clemency for the leaders of the revolution.

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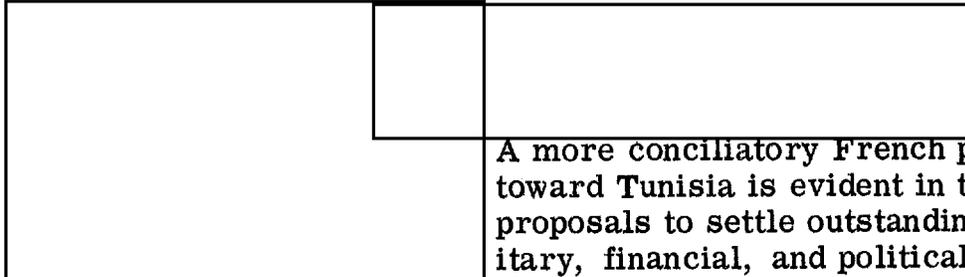
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**6. FRENCH POLICY TOWARD TUNISIA TAKES
CONCILIATORY TURN**

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A more conciliatory French policy toward Tunisia is evident in the new proposals to settle outstanding military, financial, and political problems. Paris presumably hopes that its offers of a liberal settlement will not only lead to a removal of major disagreements between the two countries but also pave the way for a more conciliatory Tunisian attitude on Algeria. French Ambassador Gorse, who left for Tunisia on 20 December, was given broad negotiating powers, and the importance attached to his mission is indicated by press reports that Premier Gaillard left the NATO meetings on 10 and 11 December to confer with him.

France is ready to complete its 1956 aid payments before the talks begin, but will be reluctant to negotiate its 1957 payments till the military problem is settled. It is prepared to withdraw ground forces in return for the granting of residual rights at about five airports. It hopes to conclude a separate agreement on the Bizerte naval base. To forestall possible obstruction of the resulting agreement by French officials, Premier Gaillard has insisted on a detailed draft of the French position on military questions, approved in advance by the interested services.

There also appears to be a more favorable attitude in Tunisia. President Bourghiba desires negotiations with France provided the talks are on an "equal-to-equal" basis and without prejudice to Tunisian freedom.

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7. LEFTISTS MAKE STRONG SHOWING IN SINGAPORE CITY ELECTION

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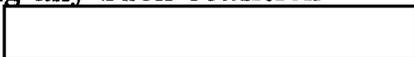
The strongly anti-Communist Labor Front party of Singapore Chief Minister Lim Yew Hock suffered a serious defeat in the 21 December city council elections by winning only four of the 16 seats it contested.

In contrast, the Labor Front's more leftist-inclined election partner, the People's Action party (PAP), elected 13 of its 14 candidates. Most of PAP's victories were by substantial majorities, and several candidates with pro-Communist reputations were seated. The leftist Workers' party, recently organized by former Chief Minister David Marshall, elected four of the five candidates it offered.

The conservative Liberal Socialists, who had torpedoed Lim's plans for a dominant election coalition by offering candidates for all 32 seats, won seven; the United Malay National Organization won two; and independent candidates two.

The success of the new Workers' party, which must now be regarded as an important factor in Singapore politics, illustrates the extent of leftist influence in Singapore. Lim hopes to unite the non-Communist left in a strong new coalition early in 1958 in order to win the much more important legislative assembly elections tentatively set for September. The city council election, however, casts doubt on Lim's prospects for dominating any such coalition which may emerge before the election.

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8. MALAYAN COMMUNISTS REFUSE TO NEGOTIATE SURRENDER TERMS

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A letter from Malayan Communist leader Chen Ping to Prime Minister Abdul Rahman refusing to discuss surrender terms has apparently ended government hopes for an early settle-

ment of the Communist rebellion. The government had been optimistic that a settlement might result from Chen's earlier letter of 12 October requesting talks and stating that he believed a mutually satisfactory agreement could be reached.

The Communist attitude may have hardened as a result of the defeats administered the ruling Alliance party by left-wingers in the recent federal legislative council by-election in Ipoh and in several municipal elections. These elections, as well as the recent school riots, reflect a growing dissatisfaction with government policies on the part of Malaya's large Chinese minority.

The Communist terrorists in Malaya-- now down to a hard core of about 1,700 from a top strength of nearly 7,000--may hope that, by continuing to avoid contact with government security forces and conserving their resources, they can eventually use the growing left-wing opposition to obtain better terms in any future negotiations.

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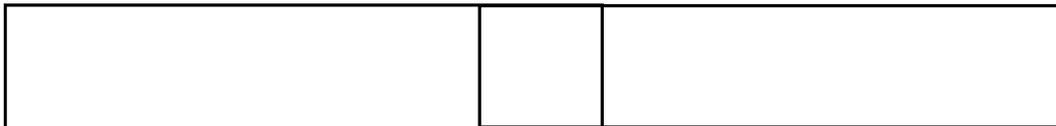
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9. STRATEGIC RAIL LINK BETWEEN CHINA AND NORTH VIETNAM RESTORED

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Peiping and Hanoi have announced completion of restoration work on the last section--the 110-mile stretch between Pisechai and Hokow--of the international railroad between Kunming and Haiphong.

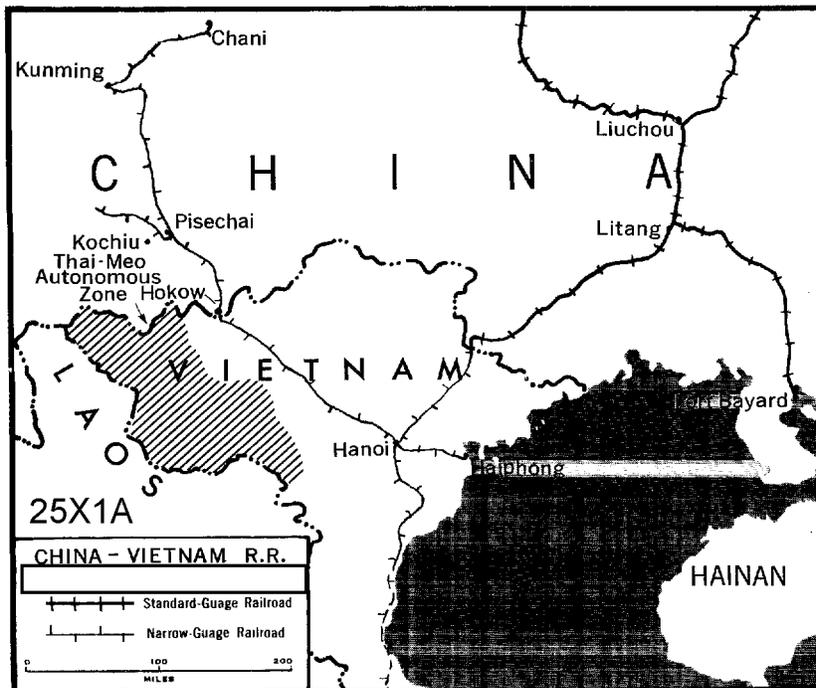
The first through operations in 15 years are expected early next year.



Reopening of this meter-gauge line will provide a second rail connection between China and North Vietnam. Together with a new international bridge on the coastal highway, the new line will improve transportation

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between the two countries and thus improve the bloc's ability to render military and economic support to the Hanoi regime.

The new rail line will give Yunnan, traditionally one of the most isolated of Chinese provinces, direct line access through North Vietnam to the rest of China and will make possible the export of products of Southwest China--including tin from Kochiu, the most important tin-producing area in the Sino-Soviet bloc--through the port of Haiphong. It will also help the Communists to consolidate their control over the Thai-Meo Autonomous Zone, an area where the Hanoi regime has encountered difficulties with a restless minority population.

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