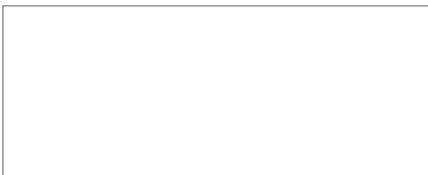


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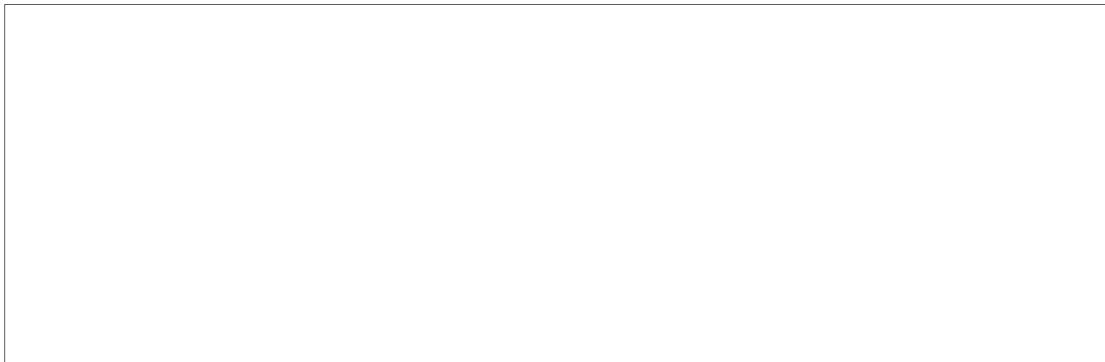


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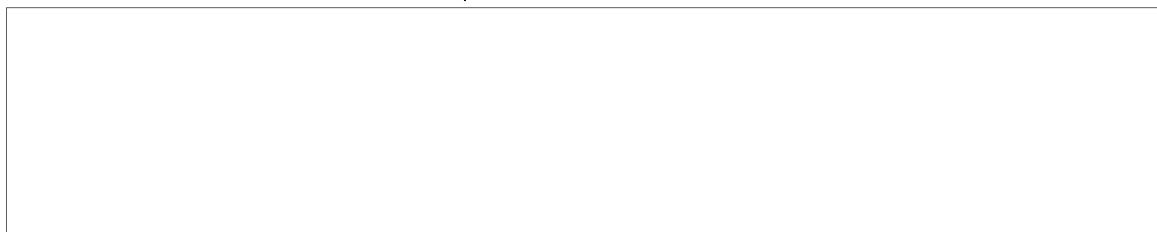
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SOVIET UNION

1. Khrushchev defines reasons for Malenkov's downfall:

[Redacted]

Indonesian ambassador Subandrio, who recently had an interview with N. S. Khrushchev, told the British ambassador in Moscow that Khrushchev outspokenly criticized Malenkov's policies and direction.

Khrushchev highlighted (a) Malenkov's maladministration of economic matters, (b) his attempt to run the government through bureaucrats rather than through the party, and (c) his lack of firmness in foreign policy on China. Khrushchev allegedly stated that if China were "attacked," the Soviet Union would honor its 1950 treaty, but did not specify exactly what he meant by "attacked."

Ambassador Bohlen comments that Khrushchev's reference to a lack of firmness on China may relate to Malenkov's general foreign policy and in particular to his statement concerning the "destruction of civilization" in a future war which has been the subject of special criticism recently in the Soviet press.

Khrushchev's unprecedented expression of criticism to a foreigner, together with the recent publication of Tito's personal attack on Molotov, in Bohlen's view, would appear to indicate that the present leadership is operating on a different basis than in the past and with considerably less precision. Bohlen believes this is in part due to the nature of group rule, which, despite the fall of Malenkov, still appears to characterize the Soviet dictatorship.

FAR EAST

2. Allison anticipates weak, irresponsible government in Japan:

[Redacted]

Recent political developments in Japan lead Ambassador Allison to believe that a responsible and capable conservative government in Japan is still a long way off. He thinks that within the two conservative parties--the Liberals and Democrats--there will be a continuing struggle for positions and power, to the advantage of the Socialists.

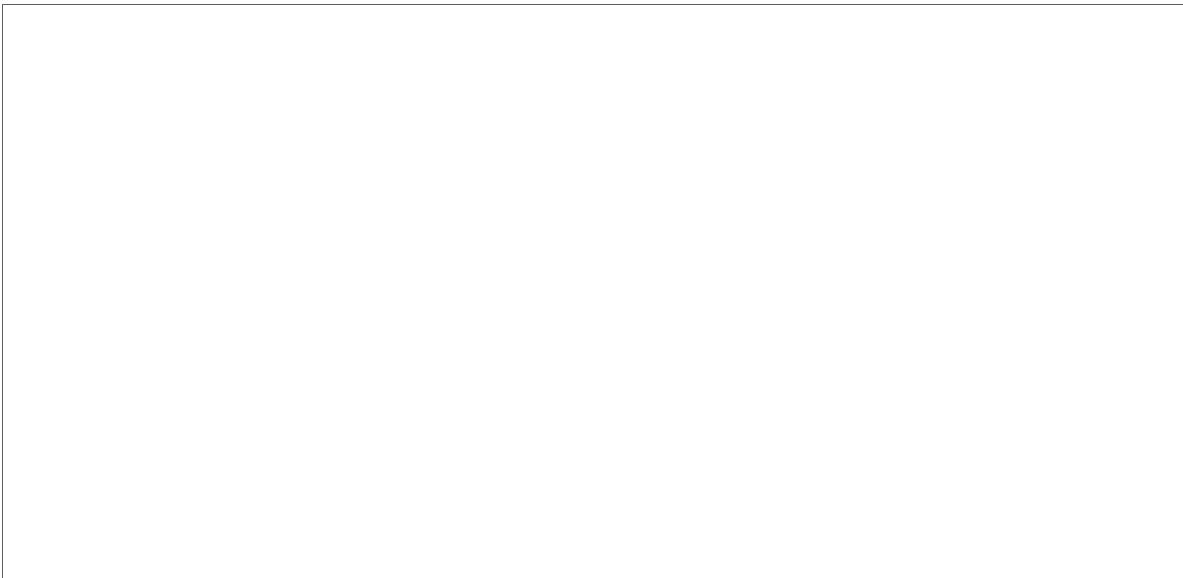
He notes that the Yoshida-Ogata Liberal Party has apparently decided to cause maximum trouble and embarrassment to the Hatoyama government, partly out of simple revenge, and partly because it believes this strategy is best for the party.

Although the Liberals probably will not carry their opposition so far as to join with the Socialists in a no-confidence motion against the government as a whole, they may do so with respect to individual cabinet members. They are expected to focus on the government's foreign policy mistakes, especially on Japan's negotiations with the Orbit, and on the "deterioration" in relations with the United States.

Comment: Since Hatoyama is quick to keep on the same side of issues as public opinion, it will be difficult for the Liberals to capitalize on their position of holding the balance of power between the Socialists and the government.

NEAR EAST - AFRICA

3. Egypt rushes arms procurement following Gaza attack:



[Redacted]

Comment: Cairo's urgent efforts to obtain additional arms suggest that the Nasr regime is concerned over its ability to repulse a major Israeli attack. Internal political pressures are likely to require the regime to retaliate in force in the event of another raid on the scale of the Gaza incident. An unsuccessful engagement with Israel would have serious repercussions and threaten the stability of the regime.

It is unlikely that Egypt can obtain heavy equipment such as tanks and artillery at this time from the above sources; it can, however, increase its current procurement of small arms and ammunition.

LATE ITEMS

4. Comment on declaration of state of emergency in Pakistan:

[Redacted]

Governor General Ghulam Mohammad's declaration on 27 March of a state of emergency in Pakistan and his assumption of "supreme powers" were probably inspired by his decision to speed up passage of a national constitution and not by fear that his government was in imminent danger of being overthrown.

Despite the Pakistani ruling group's desire to establish constitutional government as soon as possible, a recent effort by Prime Minister Mohammad Ali and Interior Minister Mirza to end governor's rule and restore responsible parliamentary government in East Pakistan failed because of political factionalism and instability there. In addition the province of Sind in West Pakistan is also in the midst of a political crisis caused by opposition to land reform measures and to provincial reorganization plans.

Consequently, Ghulam Mohammad has probably decided not to wait until all provincial legislatures are ready to elect responsible delegates to a national constituent assembly. Instead, the governor general is probably going to nominate the delegates himself, as Mirza is reported to have suggested, and to call a constitutional convention within the next month.

By this means, Ghulam Mohammad can presumably assure the selection of men loyal to him who will nevertheless command the greatest possible popular respect.

5. Comment on withdrawal of Vietnamese sects from Diem government:

The withdrawal of the Cao Dai and Hoa Hao representatives from the Vietnamese government indicates that Premier Diem has gained the upper hand, at least in the political phase, in his struggle with the sects. The possibility remains, however, that the sects will resort to guerrilla warfare against the government.

Previously the sects had failed to make good their threats to "take action" against Diem unless he agreed to form a cabinet approved by them, although the ultimatum deadline expired on 25 March. Moreover, "popular" demonstrations against the government scheduled for the week end did not materialize and sect troops were reported withdrawing from the environs of Saigon.

Meanwhile, Diem is moving boldly to retain the initiative. He has publicly castigated the sects for "provoking disunion fatal to the higher interests of Vietnam" and has indicated an intention to form a government "comprised of men determined to serve only the interests of the state and of the people--outside of partisan spirit." Diem has also launched a campaign to recapture control of the Saigon-Cholon police from the Binh Xuyen.

Although some disorders are likely to occur, Saigon has remained calm and the only preparations for an emergency have been small-scale movements of national army troops and activity by a few French motor patrols. Although officials of the American embassy in Paris have suggested that French intervention in local hostilities should not be taken for granted, General Jacquot, acting commander in chief of French Union forces, said on 26 March he would back up the Vietnamese army in the event of disturbances.

THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 26 March 1955.

1. No significant military activity was reported. Bad weather hampered aerial reconnaissance. [redacted]
2. A regimental combat team from the Nationalist 57th Division was scheduled to sail from Formosa on the night of 25 March to replace the infantry regiment on the Paichuan (White Dog) islands, which will return to its parent unit on Quemoy. The movement of the RCT will further increase the strength of the Matsu Island Group to approximately 15,000 regular troops. Combat readiness tests, similar to the recent tests concluded on Quemoy under MAAG supervision, will be conducted in the Matsu Island Group beginning 1 April. [redacted]
3. [redacted] the Chinese Nationalists now have the weapons and crews to make a decisive attack against Nantai airfield near Foochow. The Nationalists have not yet, however, formulated concrete plans or carried out the necessary preparations required for such an attack. [redacted]
4. [redacted] an attempt by Chinese Communist jet fighters from Canton to intercept Nationalist reconnaissance planes west of Swatow just before noon on 17 March. The lack of positive results in this day-time intercept attempt is another indication that there has been no appreciable improvement in Chinese Communist capability to intercept intruder aircraft in this area. [redacted]

THE FORMOSA STRAITS

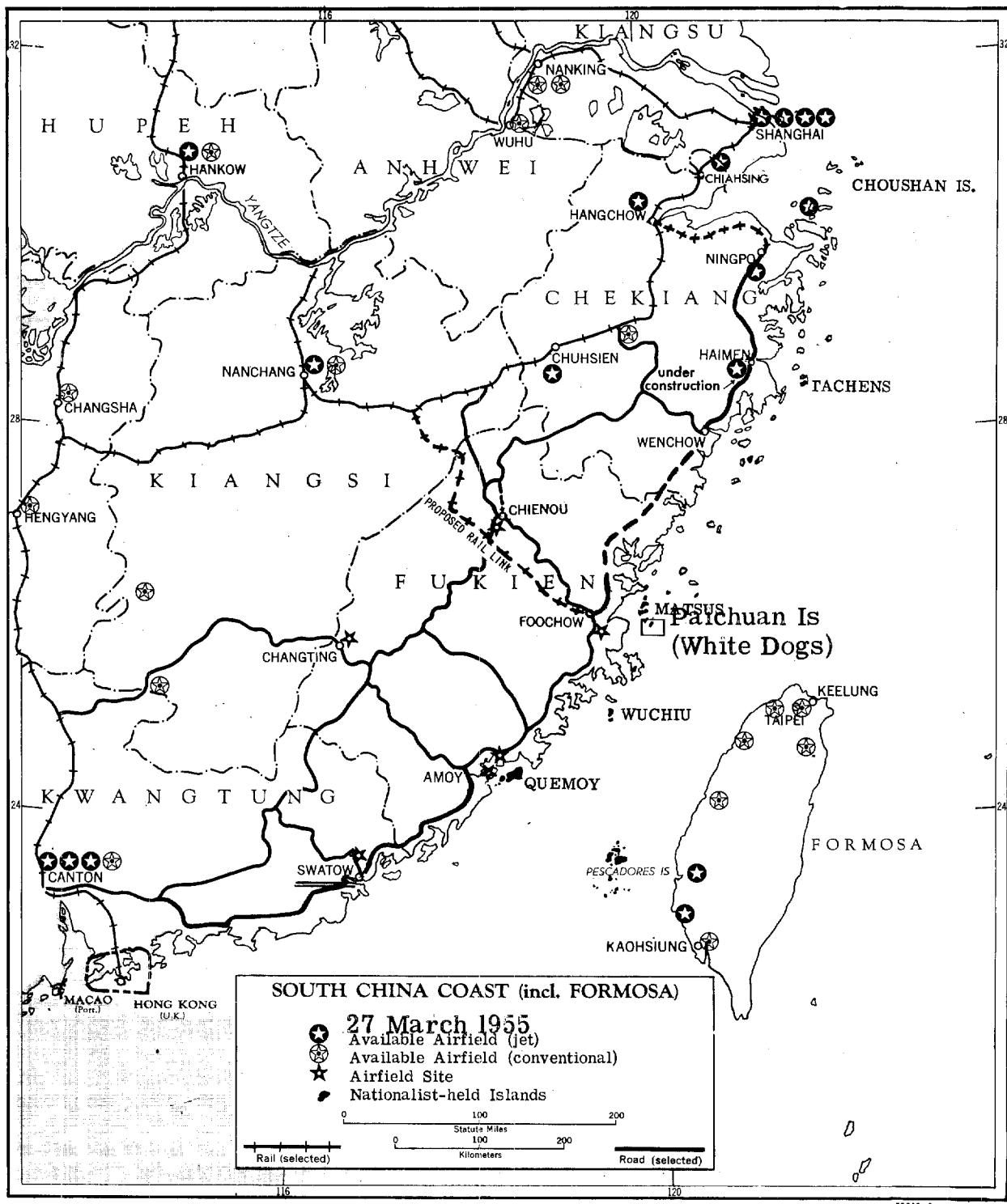
Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 27 March 1955.

1. Military activity in the area has remained negligible.

2. TU-2 piston light bombers of the 1st Naval Air Division and of two unidentified bomber units have been noted since 1 March in rather heavy training activity in the Shanghai area. This activity has included night training by the 1st Naval Air Division.

Soviet and Chinese Communist leaders, both publicly and privately, have previously suggested that the Sino-Soviet treaty would be applicable in the event of hostilities between the United States and Communist China. The treaty is so worded, however, as to permit the USSR to decide for itself the degree of support which it would provide, and Soviet statements have been evasive on the question. Khrushchev probably expected his remarks to be transmitted to the United States and to other governments which might try to bring pressure on the US. The remarks appear to represent a psychological warfare measure.



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