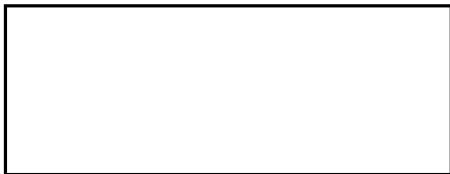


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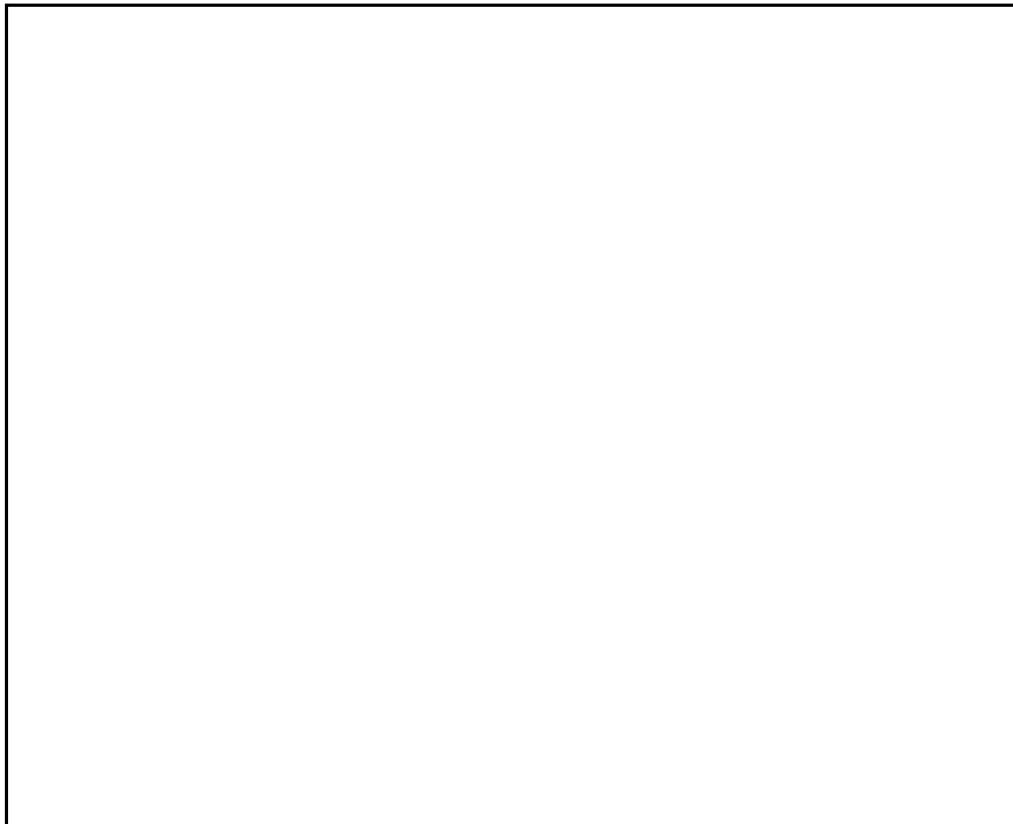
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2. AMBASSADOR THOMPSON COMMENTS ON SOVIET MIDDLE EASTERN POLICY

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[Redacted]

Ambassador Thompson feels that while Soviet interests in Syria do not justify the risks involved in recent Soviet actions, with the publication of the 19 October TASS statement detailing American-Turkish "subversive activities" it would now be "imprudent to consider that the USSR was not prepared to act in the event of an overt attack on Syria." He believes the USSR to have been less apprehensive of direct military attack than of the possibility that the Turkish threat would cause internal collapse.

Comment

Some Soviet spokesmen have privately pointed to the greater possibility of an internal coup in Syria. The USSR may be expected to maintain and intensify its political and propaganda pressure in the United Nations, where it feels it can inhibit Western moves against Syria.

Despite Syrian claims, it is unlikely that the USSR is officially committed to aid Syria militarily in case of invasion. Public statements of Soviet intentions have been within the context of United Nations action.

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4. THE TURKISH NATIONAL ELECTIONS

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[Redacted]

Despite continuing indications of a probable Democratic party (DP) victory in the Turkish national elections on 27 October, there are reports of opposition strength in areas regarded as critical by top Democratic leadership. The odds favor a victory for the incumbent Democratic party, probably with a reduced majority.

A recent public opinion poll by Turkey's largest newspaper, involving about half the provinces, showed the DP leading the opposition about two to one in the rural areas. As expected, the opposition made a strong showing in larger population centers.

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5. FRENCH POLITICAL CRISIS

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Popular Republican leader Robert Schuman's refusal on 21 October to try to form a government because of the sharp divisions among the non-Communist parties may be a tactical move to force an early reconciliation of differences on pressing economic issues. President Coty is expected to consult again with leaders of the moderate parties in the hope of getting an agreement on economic and financial policy before naming a premier-designate.

A second call to Schuman is a strong possibility, although other center party candidates such as Popular Republican leaders Pierre Pflimlin and Robert Lecourt as well as Rene Pleven and Guy Mollet, who have already made unsuccessful attempts to form a government, are being considered. Dissident Radical Socialist Henri Queuille, three times a compromise premier during the Fourth Republic, is also being mentioned.

The American embassy believes the formation of a government under the Popular Republicans, possibly this week, is a "fairly good probability." Independent Pinay was careful to avoid exacerbating party differences in his investiture attempt, and the Socialist leadership has agreed to participate in a Schuman-led government, although some party rank-and-file opposition is expected.

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6. INITIAL YUGOSLAV REACTION TO BREAK WITH BONN

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In their initial reaction to Bonn's break with Belgrade, various Yugoslav officials, in conversations with Western officials, expressed chagrin, and obviously tried to give the impression that they had miscalculated Bonn's reaction. The Yugoslavs, however, were aware of the West German position that recognition of East Germany by a third country would be considered an unfriendly act.

The Yugoslav Foreign Ministry on 19 October described the severance of diplomatic relations by West Germany as "hostile" and said news of the break had been received with "extreme discontent." According to the Yugoslav newspaper Politika on 19 October, the West German action "is not only deplorable, but also provokes a surprise." Politika's London representative, in reply to a comment that it seemed likely that Bonn would sever relations, stated on 18 October that "in that case, we have made a miscalculation. This will make things very difficult for Yugoslavia."

The Yugoslavs are particularly concerned that the break will affect their future economic and trade ties with the West. West Germany is one of Yugoslavia's most significant trading partners, and a large percentage of Yugoslavia's industrial capacity is based on West German capital equipment. Bonn extended to Yugoslavia in September 1956 a long-term, interest-free credit of \$57,000,000. [redacted]

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7. SITUATION IN LAOS

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The imminent release of a joint communiqué signed by Prime Minister Souvanna Phouma and his half-brother, Pathet chief Souphanouvong, increases the prospects of an early entry of Pathet representatives into the Laotian government. The communiqué, which allegedly has cabinet approval, is basically

a restatement of the December 1956 agreement, with, however, more specific Pathet concessions on the dissolution of the Pathet fighting forces, the surrender of war materiel, and the re-establishment of royal authority over the two Pathet-controlled provinces. In return, the Pathets will participate in a coalition government and win legal recognition of their political party and legislative guarantees of their civil rights.

The enlarged government will be charged with implementing the final settlement and preparing for supplementary elections in which the Pathets will participate. The communiqué does not specify whether all the details of implementation will be worked out prior to formation of the coalition government or whether some aspects will remain to be "negotiated" after the Pathets have become members of the government.

Souvanna claims that both his severest critics, Interior Minister Katay and Foreign Minister Phoui Sananikone, have approved the proposed communiqué. He reportedly told an 18 October meeting of the Nationalist party that "we are surely going to have a settlement." Both Souphanouvong and the Polish truce commissioner have stated that settlement is in sight, and Souphanouvong has said that he is empowered to sign a definitive agreement without returning to his Sam Neua headquarters for "consultations!"

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8. THE KISHI GOVERNMENT'S PROSPECTS

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Ambassador MacArthur in Tokyo believes that the personal political future of Japanese Prime Minister Kishi depends on whether the ruling Liberal Democratic party can increase its present strength in the next national elections, possibly to be held early in 1958. The ambassador cautions that any developments such as trade discrimination or the impression that the United States is no longer interested in bringing about necessary readjustments in its relations with Japan are certain to be used as powerful political ammunition against Kishi.

Kishi is searching for a major triumph before calling national elections. His current stumping tour through Japan reveals that despite a record of considerable accomplishments, he has failed to develop wide personal popularity largely because his policies do not have an emotional appeal for the Japanese. His strong support of a policy of co-operation with the free world and opposition to communism and neutralism runs counter to the popular Japanese desire for greater independence from the United States and closer ties with Asia, including Communist China.

Should his present pro-Western course fail to develop his political popularity, Kishi may adapt his program to satisfy, rather than lead, public attitudes which, for example, in labor and education, have become increasingly subject to Communist and Marxist influence. He has given ample evidence of this technique by introducing into the UN a resolution on cessation of nuclear tests which is unsatisfactory to the West.

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9. CENTRAL COMMITTEE PLENUM OUTLINES PEIPIING POLICY TOWARD CRITICS

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A speech by Teng Hsiao-ping, secretary general of the Chinese Communist party, before the plenum of the party central committee on 23 September outlined the principles governing Peiping's drive to stamp out embarrassing criticisms against the regime.

Teng's speech, first published on 19 October, decried past demands from the Chinese intellectuals for "so-called freedom of the press, freedom of publication, and freedom for literature and arts." Future critics, he asserted, would be tolerated only if they did not challenge the supremacy of the Communist party and accepted Peiping's basic policies in domestic and foreign affairs.

Teng held out the possibility of drastic action against selected "rightists," warning that they still stood outside the ranks of the people, but he indicated there would not be a large-scale bloodletting. "Crude" methods, he declared, would not be necessary as a general rule.

The speech showed considerable concern about disaffection in the countryside, where many peasants have withdrawn from the collectives. Teng professed to see dangers from saboteurs and counterrevolutionaries but indicated that he placed his faith mainly in the intimidating force of "general debate" and expounded the efficacy of "using words, not hands."

As part of the drive to recapture popular sympathies, Teng called for tighter discipline and further reform within the party. He admitted that many party members

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had lost their revolutionary elan, and declared that the "rectification" program would require party members to forswear special privileges and work more closely with the masses. He called for further efforts to shift powers to lower levels of the party and a streamlining of the cumbersome party bureaucracy.

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11. ARAMBURU REGIME FACES GENERAL STRIKE

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The Aramburu regime faces another critical fortnight with a Peronista-instigated general strike called for 22 and 23 October.

Leaders of democratic unions fear they may lose control of their organizations, now stronger than the Peronista unions, if the government does not modify its rigid "more-pay-for-more-work" formula. Rightist elements within the regime, however, oppose any modification and reportedly will consider replacing President Aramburu if the labor situation gets out of hand.

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