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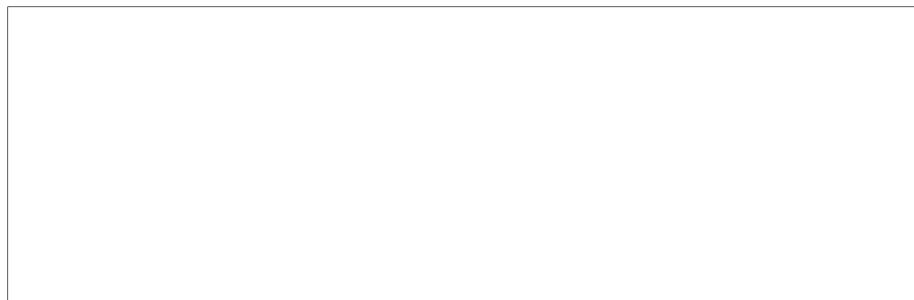
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**1. EGYPTIAN-SYRIAN COMMAND REPORTS ISRAELIS  
RESUME WORK ON BANAT YACOV CANAL**

**Comment**

Although Syria's threat to fire on Israelis working on the Banat Yacov canal project applies only to operations inside the Israeli-Syrian demilitarized zone, Israeli activity of any kind near the zone at this time strengthens Arab fears that Israel intends in the immediate future to take some action in violation of the UN order.

Work on the project outside the demilitarized zone has proceeded intermittently since the fall of 1953, when work inside the zone was halted by UN order.

The director general of the Israeli prime minister's office assured the American embassy in Tel Aviv on 28 February that no decision has been made regarding the "operational features" of this year's Jordan diversion work. He said construction would not normally be undertaken in any case until the middle or latter part of April.

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**2. NASR SAYS HE IS UNABLE TO INITIATE TALKS ON  
JOHNSTON PLAN**

Egyptian prime minister Nasr told Ambassador Byroade on 27 February that he can do nothing toward gaining Arab acceptance of the Johnston plan

for the Jordan River development until the present crisis over Banat Yacov is safely passed. Nasr explained that none of the Arab states would want to give the impression that it had accepted the plan because of "open threats" from Israel, and that the subject probably could not be injected into the Arab League meeting scheduled for mid-March.

**Comment**

Jordan's prime minister Rifai is considering raising the issue at the Arab League meeting. Nasr's attitude, however, is more consistent with that of most other Arab states' leaders, who are pressing the United States and Britain to take action to prevent hostilities but plead inability at present to make any constructive move themselves.

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### 3. TURKEY PASSES COMPENSATION BILL FOR VICTIMS OF ANTI-GREEK RIOTS

Comment on:

[Redacted]

The Turkish National Assembly, by passing a compensation bill for victims of the anti-Greek riots in Istanbul and Izmir last September, has removed the major obstacle to resumption of co-operation between Greece and Turkey. Athens has regarded compensation as essential for the restoration of Greek-Turkish co-operation both bilaterally and within NATO and the Balkan pact.

The assembly's action will probably satisfy the minimum demands of the Greek government and, by removing a major foreign policy problem, will give Prime Minister Karamanlis greater freedom of action in his handling of relations with Turkey. The degree of Turkish opposition to the compensation issue is demonstrated by the sharp criticism of the bill during debate and by the fact that nearly half the assembly membership did not participate in the final vote.

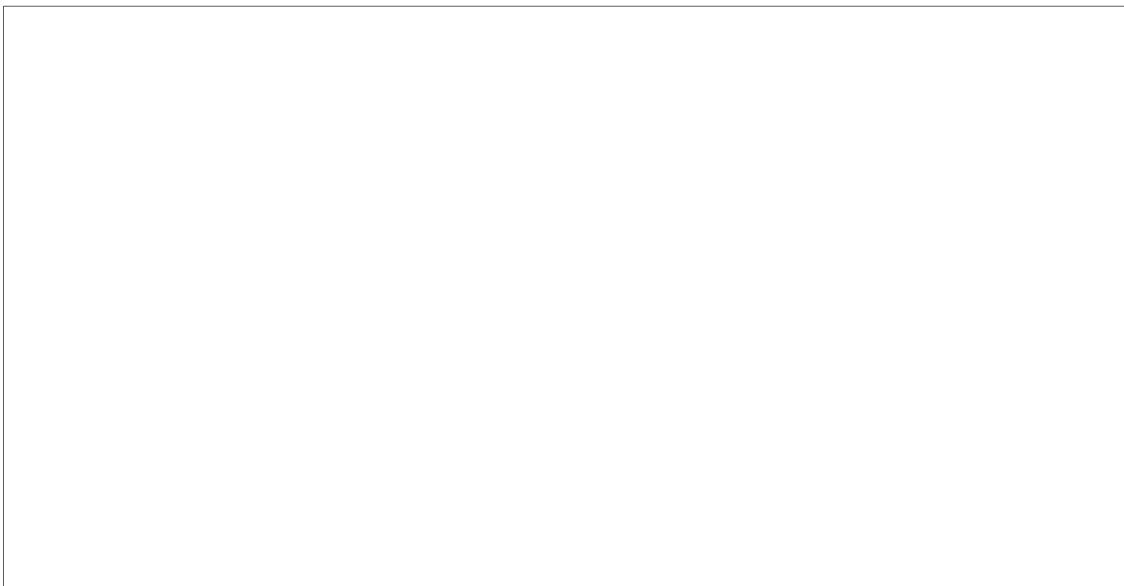
Other sources of tension between the two countries--animosities aroused by the riots, the Cyprus issue, the Salonika bombing trial, and the dispute over fishing rights--will hinder any broad improvement in Greek-Turkish relations.

[Redacted]

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**4. BRITISH SEE ONLY "OUTSIDE CHANCE" TO AGREE  
WITH MAKARIOS ON CYPRUS**



**Comment**      A House of Commons debate on Cyprus scheduled for 29 February was canceled, and Lennox-Boyd's stay in Cyprus apparently has been extended through the end of this week.

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## 5. EARLY CHANGE OF SYRIAN GOVERNMENT AND NEW ELECTIONS RUMORED

Observers in Damascus are speculating that the Syrian cabinet may fall within two weeks, and that a new government, possibly including

former prime minister Khalid al-Azm, will force President Quwatli to dissolve parliament and call for new elections.

some estimates give the leftists a chance of winning 50 percent or more of the 142 seats in any elections held in the near future.

Many conservatives are disposing of their property and transferring funds abroad. They believe the only remedy is force supported from outside Syria.

### Comment

There is reportedly some sentiment in the Syrian army that Azm should replace Prime Minister Ghazzi. The drift to the left in Syria gained considerable momentum during Azm's tenure as foreign minister and leading spirit of the previous cabinet.

The fears of Syria's conservatives have been increased recently by the failure of party leaders to form a conservative coalition government to meet the threat of war with Israel, as well as by their failure to gain support from Iraq. Quwatli's imminent departure for a "rest" in Egypt lends support to speculation that a domestic crisis is on the way.

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## 6. NEW EVIDENCE OF SOVIET AID TO COMMUNIST CHINA'S AIRCRAFT INDUSTRY

### Comment

These are the first observed contacts of this nature between the Soviet and Chinese aircraft industries.

These Soviet aid efforts may be aimed at improving the embryonic Chinese aircraft industry's capability for overhauling or modifying aircraft. On the other hand, they may be initial efforts in Communist China's long-range program for producing combat aircraft. Other current developments which could contribute to such a program are the construction of a fully integrated aluminum industry in Manchuria and the training of aeronautical engineers at an institute in Peiping. (Prepared by ORR)

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## 7. CZECH COMMERCIAL MISSION TO COLOMBIA

[redacted] [redacted]  
[redacted] the unofficial Czech commercial mission scheduled to visit Colombia in the near future will include five representatives of Czech companies and three experts from the Ministry of Foreign Trade, including the chief of the Latin American section.

The Czech group is being sent to arrange for co-ordination of Czech purchases and sales in Bogota and "if necessary and advisable, to establish general bases for a barter agreement."

As an initial purchase the Czechs consider 4,000 tons of coffee feasible on the basis of their reports on the availability of Czech exports.

### Comment

The sending of a delegation of this nature confirms earlier indications of Czechoslovakia's effort to enlarge its influence in Latin America. Colombia has a deficit in its trade balance with Czechoslovakia.

Official exchanges have not mentioned the possibility of the export of Czech arms to Colombia, but [redacted] the Colombian government is interested in making such purchases through private Colombian and West German firms. (Concurred in by ORR)

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**8. VIET MINH "PLAN OF ACTION" FOR SOUTH VIETNAM  
ELECTIONS REPORTED**

The Viet Minh has [redacted]

[redacted] a "plan  
of action" for election day on 4 March,

In an

effort to keep the voter turnout small, rumors will be spread that riots are likely and agents will pose as government functionaries and instruct voters to remain at home to wait for cars to take them to the polls. Viet Minh gangs are to overwhelm polling supervisors after most of the votes have been cast and steal the ballot boxes.

[redacted] such

orders have been circulated verbally for greater security. The Viet Minh apparatus in South Vietnam is believed to have the capability to carry out these actions, although in urban areas their success is doubtful. [redacted]

**Comment**

Viet Minh broadcasts in mid-February said the elections would be turned into a "bloody reply to the Americans." Since then Hanoi radio, while continuing to attack the elections, has virtually conceded they will come off on schedule.

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**THE ARAB-ISRAELI SITUATION**  
(Information as of 1700, 29 February)

The possibility that Arab-Israeli border incidents could expand into major hostilities has been increased as a result of the concentration of Egyptian, Syrian and Lebanese troops on Israel's borders. Firing on Israeli fishing boats on Lake Tiberias and new incidents on the Gaza front have also contributed to this situation.

The American military attaché in Tel Aviv reports substantial evidence of a continuation of a secret partial mobilization of personnel and vehicles.

The Soviet freighter Karaganda arrived at Alexandria from the Black Sea on 25 February with a cargo reportedly consisting entirely of explosives. Fifteen arms cargoes have now been transported to Egypt by Soviet freighters since deliveries began in late October. Further information on the cargo of the Admiral Ushakov, the last Soviet freighter to unload military equipment at Alexandria prior to the Karaganda's arrival, indicates that it carried artillery as well as tanks, trucks, and two motor torpedo boats.

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