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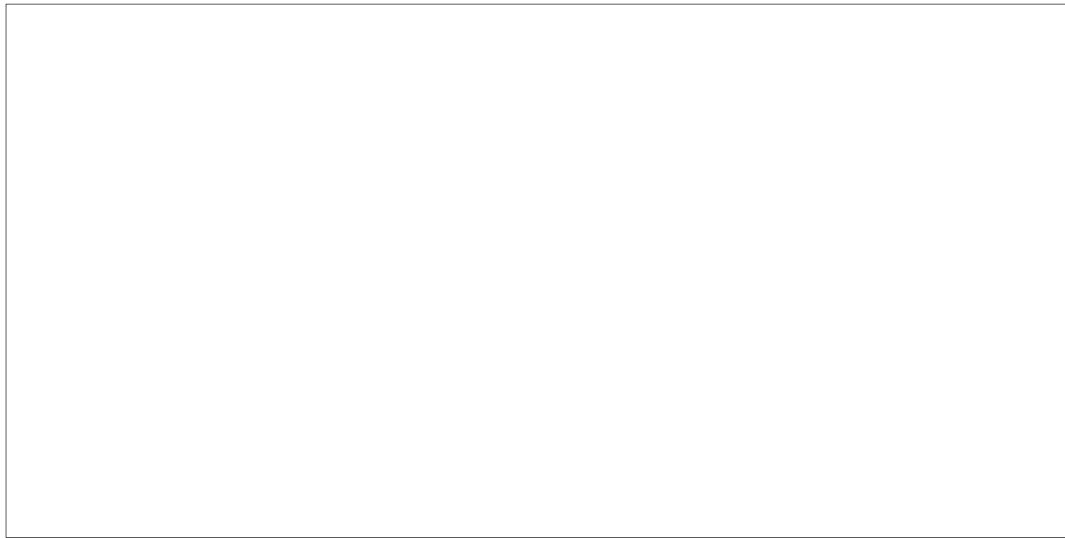
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1. REVOLT REPORTEDLY PLANNED IN PERU FOR
16 JULY

military

and civilian elements there are planning to stage a revolt on 16 July to nullify the results of last month's presidential and congressional elections, according to the American armed forces attachés in Lima.

The attachés note that the military commander in Arequipa is known to be close to Minister of War Indacochea who was scheduled to arrive in Arequipa on 15 July, purportedly to dedicate a new army barracks.

The attachés believe that any attempted revolt is not likely to receive widespread support.

Comment

Success of a revolt at this time probably depends on the attitude of Peru's all-military cabinet. These officers have reportedly been in control of the government for the past three to four weeks while hospitalized President Odria has become a mere figurehead.

Many senior military officers, including at least some cabinet members, are currently concerned over the apparent good relations between conservative president-elect Manuel Prado and the outlawed leftist but non-Communist APRA party which gained significant strength in the recent congressional election. Consequently, the cabinet may be fomenting a revolt as an excuse for continuing in power. Recent reports have suggested, however, that the present cabinet intends to permit the installation of the new government as scheduled on 28 July and that the military will act only in the event of subsequent unfavorable developments.

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2. FRANCE MAY SEEK TO SCHEDULE TRADE CONTROL TALKS FOR AUGUST

The French COCOM delegate told American officials in Paris that Foreign Minister Pineau is pressing him strongly to arrange talks among the US, UK and France on the reduction of COCOM controls as well as the elimination of CHINCOM differentials. The delegate suggested late August as the earliest possible time for a meeting.

He indicated that the recent visit to Washington had encouraged Pineau to push for such talks. At Pineau's insistence, the delegate has drawn up a list of possible deletions in COCOM controls.

Comment France has been seeking revision of CHINCOM controls for about a year, but is opposed by the US and, in principle, the UK. The UK, by using the exceptions procedure, has greatly expanded its trade with Communist China.

A press announcement that the US has approved shipment of 7,800 tons of sheet metal for autos to the USSR--the first such shipment to a Sino-Soviet country since 1947--may further encourage France and other countries to press for less restrictive East-West trade controls.

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3. AMERICAN LEGATION COMMENTS ON HUNGARIAN FACTIONALISM

The American legation in Budapest believes that dissension within the Hungarian Communist Party is not settled, despite a strong counterattack by the pro-Rakosi group which sponsored a 30 June central committee resolution condemning an antiparty movement. On the contrary, strife within the party has reached a new peak.

The legation speculates that Rakosi may have returned from Moscow with sufficient support to maintain his position temporarily. The USSR, however, must consider his limited following within the party a liability, and his removal as first secretary is a "distinct possibility before too long!"

Comment

Developments of the past five months have undoubtedly shaken Rakosi's position in Hungary, but he apparently continues to be viewed by Moscow as "indispensable."

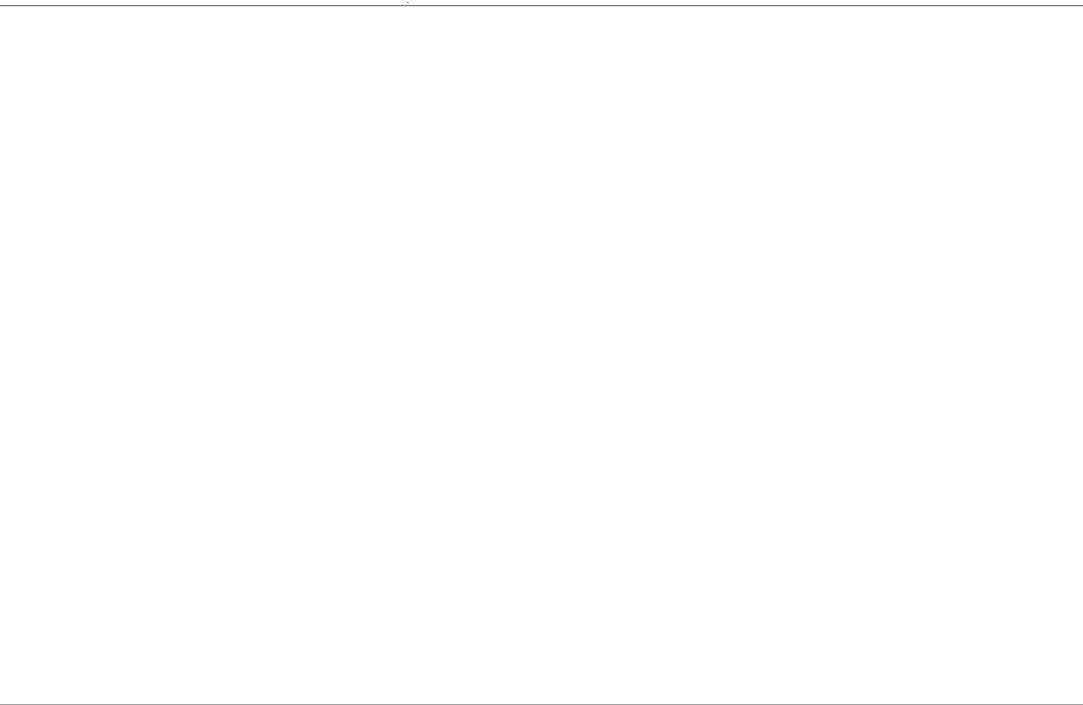
Following Soviet presidium member Suslov's "fact finding mission" to Hungary in mid-June, Rakosi reportedly went to Moscow, presumably to obtain new instructions. Rakosi subsequently initiated his first major effort to check the "moderate" faction and whip the party rank and file into line. This was the central committee resolution on 30 June which sharply condemned a "malignant antiparty movement which has launched an attack gradually increasing in strength against the policy and leadership of our party." Moscow's approval of this action was indicated by Pravda's reprint of the resolution on 8 July.

Current Soviet policy for Hungary appears to be to encourage adoption of the reforms called for by the 20th CPSU Congress through a series of carefully planned relaxations under the firm control of party strong-man Rakosi.

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4. BURMESE LEADER DISCUSSES RELATIONS WITH SINO-SOVIET BLOC

**Comment**

Kyaw Nyein may have overstated his lack of enthusiasm for economic aid from the bloc in order to improve the prospects for an American loan. There have been other indications, however, of a desire on the part of the new government under Premier Ba Swe to reverse the trend toward closer ties with Moscow and Peiping.

This is the first report revealing Peiping's offer of arms and training to the army. Burma's strongly anti-Communist military leadership would be likely to oppose such aid.

Chou En-lai's equivocation on the Sino-Burmese boundary issue and his refusal to extradite the Kachin renegade Naw Seng have heightened Burmese concern over the subversive threat posed by Peiping. [redacted]

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5. JAPANESE PROPOSE MISSION TO INVESTIGATE OKINAWA LAND PROBLEM

The Japanese Liberal-Democratic and Socialist Parties agreed on 13 July to send a mission composed of five lower house members to Okinawa "to look into" the question of the United States purchase of land for military bases, according to Ambassador Allison. In response to Allison's request that the Japanese government head off the proposed mission, Chief Cabinet Secretary Nemoto maintained the government should not intervene in what was regarded as Diet action.

Liberal-Democratic party secretary Kishi has indicated that he fears an American rejection of the proposed mission might inflame Japanese popular opinion, which is beginning to take a more reasonable attitude toward the Okinawan controversy. Kishi also stressed that the Diet steering committee action, in limiting the mission to five members, was in itself a compromise and he is seeking an arrangement which might permit the Japanese group to go to Okinawa.

Comment The Japanese government and the Liberal-Democratic Party have been under heavy domestic criticism over what has been characterized as a "weak-kneed" attitude toward the United States in the Okinawa land issue.

Socialist gains in the recent upper house election have been credited to exploitation of this controversy. The conservatives' desire to send a mission to Okinawa probably is aimed at convincing the public that the government is making a positive effort to assert Japan's interests.

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6. STUDENT DISORDERS IN HONDURAS

[redacted] [redacted]
Press reports indicate that student riots in Tegucigalpa, which began on 10 July, are still in progress after three major clashes with police. The disorders followed the exile on 9 July of three prominent Liberals, including party chief Villeda Morales, and the arrest of several students after the university students voted to begin a three-day strike on 9 July. The students are also demanding the ouster of the university rector.

On 10 July, [redacted] [redacted] the Communists were attempting to take control of the student disorders, and had drafted a handbill asking the workers to unite with the students.

The government, which thus far appears to control the situation, has charged that the opposition and Communists are behind the student moves in an effort to overthrow the regime of Chief of State Lozano.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 15 July)

Israeli sources report that an Israeli civilian was killed near Lydda airport on the night of 13 July. Israel charges the attack was made by four Arab infiltrators. (Press)

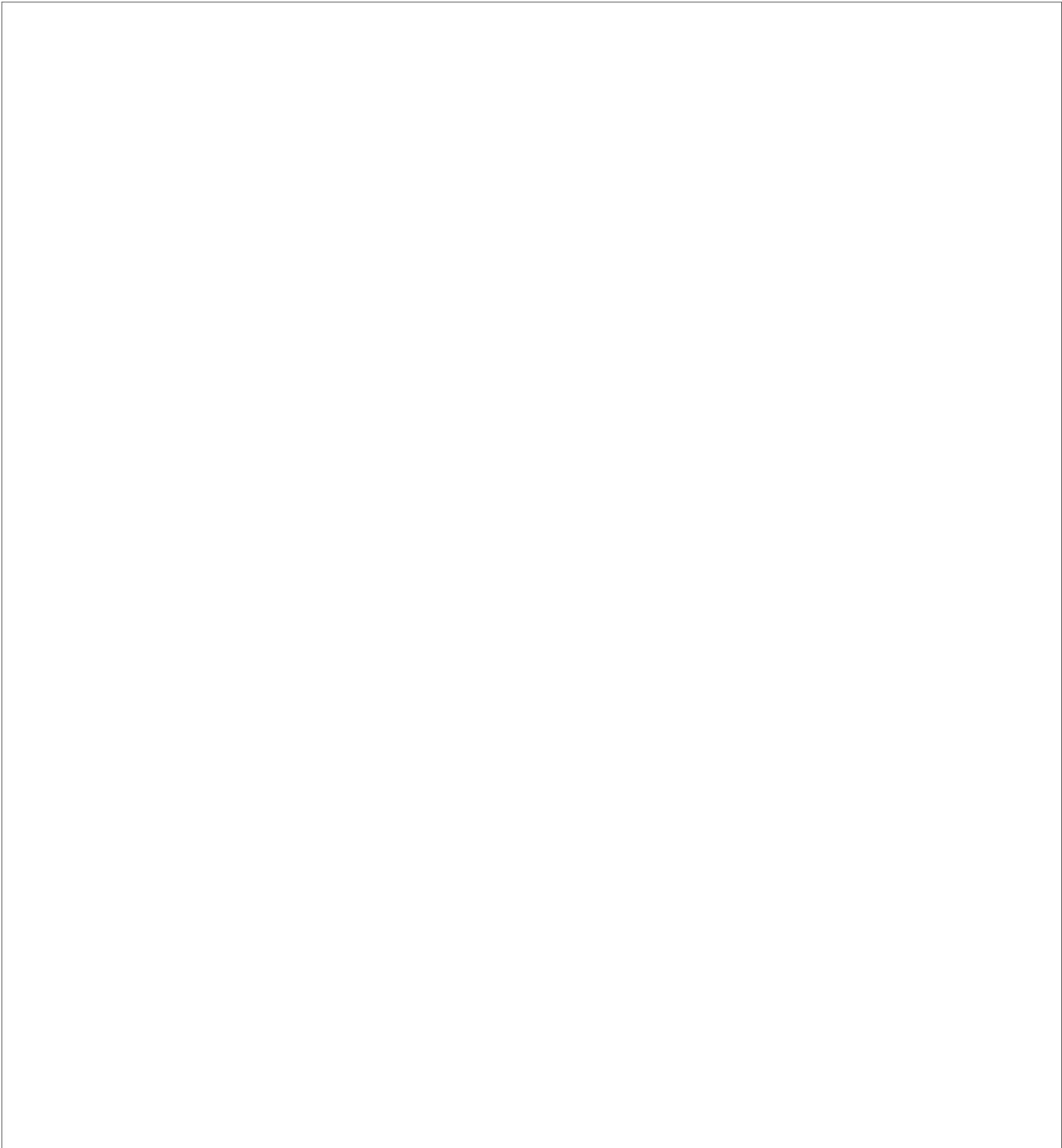
The Israeli cabinet decided at its special session on 11 July to take no reprisal for recent incidents involving Jordan, but authorized Prime Minister Ben-Gurion to take necessary action without further cabinet approval in the event of a future serious incident attributable to Jordan.

[redacted] the possibility of Israeli retaliatory action must not be discounted. [redacted] there has been some movement of the Israeli army toward strategic locations and some call up of civilian transport. [redacted]

[redacted] Jordan is increasing the number of its "fedayeen." The recruits are to be under overall Jordanian army control but direct civilian supervision. [redacted] the Druze tribes in Syria were providing substantial numbers of recruits. He added that a "fedayeen" leader in Lebanon, will be provided with Jordanian "fedayeen" personnel for incursions into Israel.

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