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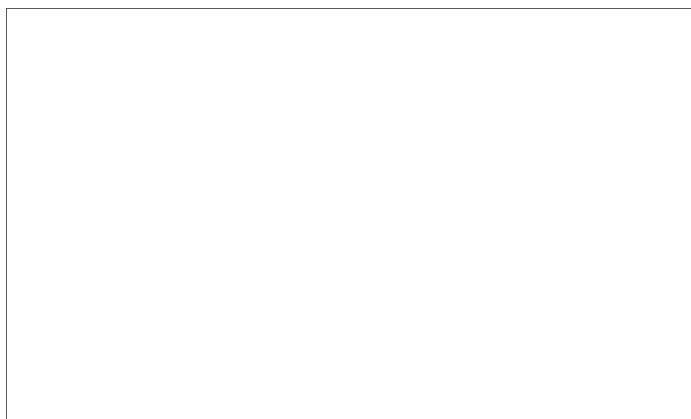
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1. HAMMARSKJOLD REPORTS ON EGYPTIAN TALKS

Reference:

[Redacted]

Secretary General Hammarskjold told Ambassador Lodge on 28 March he believes that, as a result of his talks with the Egyptian government, satisfactory arrangements between Egypt and the

UNEF in the Gaza strip now exist. Hammarskjold said Egypt accepted a memorandum prepared by General Burns, the UNEF commander, which set forth the conditions which Burns feels are necessary if the UNEF is to prevent infiltration across the Israeli-Egyptian armistice line and maintain order inside the strip.

Egypt did not make deployment of UN forces on Israel's side of the line a condition to the continuation of the UNEF in Gaza, except that UNEF's right to shoot Egyptian infiltrators was conditional on a similar right to shoot Israelis. The Egyptians did definitely promise Hammarskjold that no Egyptian troops would move into Gaza, and he believes the Egyptians "very much want" to keep the UNEF there. Hammarskjold said he told the Egyptians that if fedayeen raids were renewed he would order the UN force to withdraw, and he regards this threat as giving him some leverage on Egypt's behavior.

The secretary general confirmed previous reports that the Egyptians have no intention of asking the UNEF to leave its positions at the entrance of the Gulf of Aqaba. He said Cairo is in fact "closing its eyes" to the Aqaba situation and reported that Egyptian foreign minister Fawzi avoided commenting on what Egypt's action would be if Israeli ships proceeded through the Tiran Straits.

Regarding Egypt's memorandum of 26 March on the Suez Canal, Hammarskjold said he had found the Egyptians

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very difficult to budge on any of its points. At his insistence, however, they had named the Bank of International Settlements-- which he considered as good as the IBRD--for the receipt of tolls and had agreed to consider the memorandum as only a draft pending comments from other governments. Hammar-skjold emphasized regarding the outcome of his talks that "nothing is agreed with me on Gaza or the Suez"; he intends to put the Egyptian promises on Gaza before the UN advisory committee on the use and functions of the UNEF.

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2. ISRAEL CHARGES PRESENCE OF SAUDI TROOPS IN JORDAN VIOLATES 1949 ARMISTICE

Comment on:

The Israeli Foreign Ministry warned Jordan on 27 March that deployment of Saudi forces to the Jordanian port of Aqaba would be a violation of the 1949 armistice agreement. Although Saudi Arabia made a token participation in the 1948-49 war against Israel, it did not sign an armistice agreement as did the states bordering Israel.

A Saudi regiment of about 2,500 men has already been stationed in northern Jordan for several months. Israel's warning reflects its sensitivity over its own port of Eilat following a recent Egyptian announcement that Saudi forces would be stationed in the Jordanian port of Aqaba, only a few miles away.

Jordan has deployed an infantry battalion with armored car and light antiaircraft support in the Aqaba area, and reportedly is deploying a tank battalion near Maan.

[redacted] the Jordanian command wishes the Saudis to move an additional infantry battalion, a reconnaissance company, and a field artillery battery--about 1,200 men--into the Aqaba area. [redacted]

**3. "NONPOLITICAL" SENIOR SYRIAN OFFICERS
PLANNING COUP**

The "Damascene" officer group in the Syrian army is planning a coup d'etat in the next few weeks.

The group may co-operate with Chief of Staff Nizam al-Din, Colonel Nufuri, and other antileftist officers at first, but its ultimate goal is to replace the chief of staff with General Daghestani, who now commands forces on the Israeli border, and to eliminate politically active colonels of both the Nufuri and Baathist officer groups.

Comment

The Damascene officer group is made up of senior army officers who want to take the army out of politics and restrict its activities to the "barracks." The capabilities of this group to operate alone against both the Baathist and Nufuri officer groups simultaneously appear questionable.

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4. USSR REPORTEDLY TO CLOSE SEA OF OKHOTSK TO FOREIGN FISHING BY 1959

Comment on:

The USSR has informed Japan that by 1959 at the latest the Sea of Okhotsk will be permanently and entirely closed to all foreign fishing, but that the Japanese may be allowed to fish there in 1958, according to Ambassador Bohlen. This move, if carried out, will be the strongest ever made by the USSR in denying access to the open seas around Siberia.

Since World War II, the USSR has appeared secretive about the area from a security point of view, and permanent restrictions might be related to military activities or weapons testing in the area. Closure would lessen the possibility of any future return of the Southern Kurils to Japan. The Soviet Far East has become the most important fishing region in the USSR, and closure would pre-empt the area for rapidly expanding Soviet fishery activities. The 1956 catch in the Soviet Far East increased an estimated 57 percent over 1953 and current plans call for significant expansion of fishing fleets and shore facilities. The exclusion of Japanese fishermen would have a serious impact on the Japanese industry since even in a restricted season the area accounted for approximately 10 percent of the 1956 salmon catch.

5. USSR URGES JAPAN TO SUPPORT NUCLEAR TEST BAN

Soviet deputy foreign minister Zorin, the USSR's chief delegate to the disarmament subcommittee talks in London, told [redacted]

[redacted] that the proposal sponsored in the UN by Japan, Canada and Norway for registration and limitation of tests would serve no purpose, and that Japan should join India in proposing the elimination of nuclear tests. Soviet ambassador Malik, also present, declared that the three-power plan would actually serve to increase tests. Zorin added, however, that the USSR was expressing no attitude in the subcommittee.

When Japanese ambassador Nishi asked Zorin if the USSR would agree to a limitation of tests, Zorin replied that the USSR would consider it. Nishi believes the Soviet Union firmly intends to oppose the three-power agreement and doubts whether it would support a limitation of tests.

Comment

The USSR, which advocates an agreement to stop nuclear tests immediately, has been capitalizing on efforts by the Japanese to promote at least a limited agreement on the cessation of nuclear tests. Zorin told the subcommittee on 27 March that the only way to proceed with the discussions was to consider nuclear tests first. He also is pressing for personal appearance before the subcommittee of representatives from Japan, Norway, India and Yugoslavia--all of which are promoting either a limitation or banning of tests.

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6. JAPAN TO SEEK ATOMIC POWER TREATY WITH USSR

Comment on:



The Japanese cabinet decided on 29 March to open negotiations for an atomic power treaty with the Soviet Union apparently as part of the government's program to draw

upon a wide range of experience and material resources in developing Japan's atomic energy industry. Atomic Energy Commission chairman Uda's statement that Japan's action was based on the acute power shortage reflects the belief of Japanese industrialists that Japan is reaching the limit to which water and coal resources can be exploited and that economical nuclear power must be made available as soon as possible.

A Socialist Diet member who serves on the Joint Committee for Atomic Energy indicated, following a visit to the USSR during September and October 1956, that Moscow was willing to conclude a technical agreement with Japan on the peaceful uses of atomic energy. He said once the agreement was made the USSR would supply atomic reactors, atomic fuel and other necessary supplies on a purely commercial basis with no strings attached. A Foreign Ministry official subsequently expressed the belief that Japan would be offered an atomic agreement following the restoration of diplomatic relations with Moscow.

7. ITALIAN OIL COMPANY BEGINS PRESS CAMPAIGN AGAINST WESTERN OIL INTERESTS IN MIDDLE EAST

Reference:

Mattei reportedly suggested the following treatment of the pending Italian-Iranian oil deal: implication that the deal would go through "unless British and US pressures prevented it; reference to participation by German and Japanese interests, reducing Italian capital outlays; and claims that Mattei had rejected an attempt by the Iranian Consortium to have him call off the deal by giving him a "small" share in the Consortium. The claim that his company's profit split with the Iranian government would not violate the 50/50 principle was also to be emphasized.

An article by the Rome correspondent in the 28 March New York Times and American wire service dispatches from Rome have reported similar statements. A broadcast to Egypt in Arabic used Mattei's approaches and said King Saud will study the Italian deal with a view to asking American companies to amend their oil agreements.

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8. INDIA MAY APPROACH UNITED STATES FOR LOAN

Comment on:

[Redacted] Indian finance minister Krishnamachari told the American ambassador in New Delhi on 25 March that India intends to ask the United States whether this is a propitious time for conversations on the gravity of India's foreign exchange position. Indian foreign exchange reserves, which were scheduled to decline by \$420,000,000 during the five years of the plan, have already fallen by \$425,000,000 in the first year, and would have fallen even further had India not borrowed \$127,000,000 from the International Monetary Fund. Krishnamachari said he wants to go to Washington this year for "intimate discussions" of the matter with American officials.

India's Second Five-Year Plan (1956-61) originally had a \$1.68 billion gap which the government hoped to close by foreign assistance. This figure has since increased to about \$2.5 billion due to price rises and more realistic cost estimates for certain projects. India has thus far obtained about \$500,000,000 of this sum and expects to secure another \$500,000,000 from the International Bank for Reconstruction and Development and a continuation of US aid.

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9. CHINESE NATIONALIST AND JAPANESE LEADERS DISCUSS ASIAN TRADE DEVELOPMENTS

Reference:

Chinese Nationalist foreign minister George Yeh has discussed with Japanese prime minister Kishi Taipei's growing concern regarding pressures in Japan for increased trade with Communist China. Yeh reportedly informed Kishi that he recognized Japan's need to increase exports but felt that Japan could locate new markets in free Asia, and that it is in Japan's interest to do so rather than to build up Communist China to a point where it will become a serious competitor for markets in Southeast Asia.

Speaking "confidentially and personally," Yeh told Ambassador MacArthur that there might have to be increased flexibility in the Chinese Communist embargo list, with even a few items removed, to avoid the risk of a breakdown of the CHINCOM control system. Nationalist policy, however, will probably continue to oppose any modification of current restrictions.

Yeh states that Kishi reacted favorably to his endorsement of some kind of Asian development arrangement which would include a regional fund to which free Asian nations--along with the United States--would contribute.

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10. LAOS MAY EXCHANGE DIPLOMATIC MISSIONS WITH USSR

Comment on:

The belated announcement by the Laotian Foreign Ministry on 27 March that the USSR had recognized Laos--a step taken formally in October--once again raises the prospect that Laos may soon exchange diplomatic representatives although Prime Minister Souvanna Phouma on 28 March told the American ambassador that Soviet representatives would not be received for

"two or three years." As a result of the Soviet repression in Hungary, the Laotian cabinet last November reversed a decision to exchange representatives with the USSR.

In any decision to develop closer contacts with the Soviet Union, Souvanna would probably be influenced by a desire to improve the climate of the deadlocked Pathet Lao negotiations by giving substance to his agreement last fall with the Pathets on a neutral foreign policy.

Prince Petsarath, in his first press interview since returning to Laos from exile, called for the opening of diplomatic relations with Communist China and North Vietnam. Laos took a step in this direction on 16 March when it signed an agreement with the Viet Minh on postal services and telecommunications. Full diplomatic relations with Hanoi and Peiping, however, will probably depend on a settlement of the Pathet Lao problem. [redacted]

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11. DISSIDENT CENTRAL SUMATRAN COUNCIL

~~REPORTED BY AKENING~~

The dissident "Benteng Council" now ruling Central Sumatra is beginning to weaken as the result of factionalism and economic deterioration,

"Political and economic adventurers" are said to be taking advantage of the inexperience of council members and are taking most of the proceeds of the business enterprises which had been expected to support the province. Moreover, local production and shipping facilities are inadequate to carry out the ambitious development program planned for Central Sumatra.

Although the Benteng group is still opposed to the central government, the Communist Party, and Sukarno's concept of government, Lt. Col. Hussein, who heads the council, and Colonel Simbolon are becoming disheartened and state that everything depends on former vice president Hatta.

Comment

Benteng leaders made no arrangements before seizing the Central Sumatran government on 20 December to sustain themselves economically in a prolonged struggle with Djakarta. They apparently assumed that business would be conducted as usual and that foreign companies would pay taxes locally rather than to the central government.

Reports have been received suggesting that Sukarno from the beginning has expected that the autonomy movements would develop internal frictions which could be exploited in the interest of maintaining a unified state.

Previous reports from the area have indicated that Hussein was in control and had popular support.

~~CONFIDENTIAL~~**12. MASS RELOCATIONS REPORTED IN BULGARIA**

[Redacted]

Thousands of "former bourgeoisie" in Sofia are being arrested for deportation to the provinces, according to a 28 March report to the Greek Foreign Ministry from its legation in Sofia. The report states that while there have been many arrests since the events in Hungary last year, the current wave of arrests is on an unprecedented scale.

Comment

The regime may be attempting to avoid any trouble arising from unrest due to heavy unemployment and reductions in the bureaucracy. Recent speeches by Bulgarian leaders, however, have not revealed unusual concern with public discontent. Rumors of public demonstrations in January have not been confirmed.

13. TENSIONS SAID TO BE RELAXING IN POLAND

The exaggerated fears and pressures of the revolutionary period have receded, according to a usually reliable source who left Warsaw in early March. The source feels that the workers have ceased to expect miracles and are not under the illusion that conditions will change overnight.

The food supply in towns has improved as a result of increased marketing by farmers who have left the collectives and are benefiting from the increased sales of their products. The improvement may also result from release of reserve food stocks.

Comment

Relaxation of tensions would ease some of Gomulka's problems, but he still faces serious difficulties in imposing his control over the party in order to neutralize the ultraconservative Natolin faction, overcome the bitter disillusionment of the liberals, and enlist support of the uncommitted mass of government and party functionaries.