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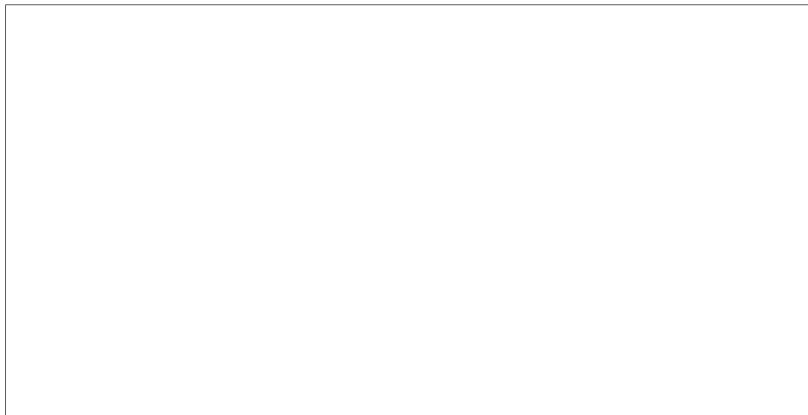
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**1. STRUGGLE BETWEEN SYRIAN COMMUNISTS AND
LEFTISTS BREAKS INTO OPEN**

Comment on: [redacted]

Syrian Baathist party fears that pro-Soviet Deputy Prime Minister Azm will seize power with Communist support have resulted in an open clash. With Syrian army intelligence support, the Baathist press is criticizing Azm's handling of the Soviet and Czech economic agreements. He has also been attacked for using these agreements to divert public attention from the Baathist plan for union with Egypt. This Baathist concern with growing Communist strength is reflected in a relaxation of army censorship of anti-Communist books. In turn, the pro-Soviet press pointedly has criticized the Baathists for mistrusting Azm and the "important agreements" signed between Syria and Czechoslovakia and has accused the party of "working for imperialism."

This struggle has triggered a Baath search for allies among the conservative parties. The Communists may counter by calling on the Baathists to close ranks against the "imperialists" in an effort to forestall Baathist and Egyptian attempts to oust Communist and pro-Communist elements in the government, including Chief of Staff Bizri. [redacted]

2. SAUDIS SEEK LEGAL BASIS TO EXCLUDE ISRAEL FROM GULF OF AQABA

Comment on:

Saudi Arabia has proposed that all Arab League states proclaim the extension of their territorial waters to 12 miles offshore prior to the February international conference on maritime law in Geneva.

The Saudis thereby seek to establish the claim of Saudi Arabia and Egypt to sovereignty over the waters of the Gulf of Aqaba, "so as to leave no opening for Israel to claim right of passage in the gulf." Saudi Arabia and Egypt already claim territorial limits six miles offshore, which more than covers the entrance to the gulf. At its widest point, the gulf is less than 20 miles across.

**3. NEW SAUDI FINANCIAL AID MAY HELP YEMEN MEET
COMMITMENTS TO SOVIET BLOC**

Comment on:

King Saud has agreed to advance the Imam of Yemen another \$2,500,000 under a credit of \$10,000,000 agreed on in 1956, despite a serious shortage of foreign exchange and his belief that

Yemen had used an initial \$3,000,000 advance largely to purchase Soviet bloc arms. Saudi Finance Minister Sarur told the US Embassy on 10 December that he had advised King Saud against meeting the Imam's request at this stage, and that the Imam had not fulfilled his agreement to provide information as to how the funds were used.

Yemen is now being pressed to begin payment for bloc economic aid, and is also about to assume further obligations to bloc countries for aid materials and military and civilian specialists.

4. TURKISH MILITARY ARRESTS MAY FORESHADOW MAJOR POLITICAL REPRESSION

Comment on:



An unspecified number of Turkish army officers--perhaps as many as 30--were arrested and interrogated in late December for alleged political activities involving the opposition Republican People's Party (RPP). Participation of Turkish military personnel in partisan politics is forbidden by law. The investigation is continuing.

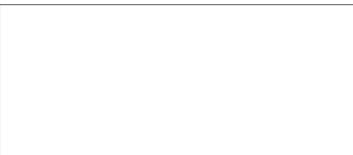
Efforts to link those arrested to the politically strong RPP and the fact that the key figure is a former staff colonel who resigned from the army to run on the RPP ticket last October suggest that Prime Minister Menderes may be taking this means of discrediting and possibly eliminating his major political opposition.

The minister of defense is reported to have said "off the record" that the government would be justified and "even compelled for the sake of national security" to ban the RPP if there is tangible evidence of complicity between members of the military and the party.

The extreme sensitivity of this development is underlined by the complete news blackout in Turkey concerning the arrests.

**5. MODERATE INDONESIAN ARMY ELEMENTS PLAN
PROGRAM OF GRADUAL CHANGE**

Reference:



[redacted] the American Embassy in Djakarta that Sukarno's forthcoming "health tour" is largely the result of pressure from

a group of army colonels in Java who desire greater moderation in the campaign against the Dutch and who also wish to check Indonesia's drift toward Communism. These officers plan to commence a program of gradual change leading within about six months to a new cabinet which would probably exclude Indonesian Communist party (PKI) influence.

The colonels' reluctance to move quickly results from fear of precipitating a severe political crisis and uncertainty as to their ability to contain any Communist counteraction. Unless the Communists provoke a showdown, the colonels are not sure they can move against the PKI with an army in which a large proportion of enlisted men--in Central Java, 40 percent--voted for it in the 1957 provincial elections.

As yet there is no agreement on the composition of a revised cabinet, and only minor political changes are expected during Sukarno's absence. According to the US Embassy's sources, however, Sukarno's departure in itself is a good indication that the forces of moderation will prevail. They feel that the Communists, believing the situation is developing in their favor, will not undertake any rash action but will await general elections in 1959 or 1960.

**6. SOUTH KOREAN DEFENSE MINISTER MAY BE OUSTED
OVER TROOP REDUCTION ISSUE**

Comment on:

Notification that US military aid in the future will be sufficient only to support South Korean armed forces at a level of 620,000 men--100,000 men below what

Seoul now sets as its authorized strength--evoked the first violent anti-American outburst by President Rhee in months. The size of the reduction may cause him to oust the moderate pro-US Defense Minister "Mike" Kim. Rhee had counted on Kim's influence with US officials to keep the projected reduction at a minimum. Kim's position appears to have been further weakened by his recommendation that the South Korean Marine Corps, a favorite of Rhee, absorb 3,000 of the planned cut.

South Korean officials have been studying troop reductions since last July when they were officially informed that US military aid was to be reduced. Since then army strength has steadily dropped through attrition. The discharge of approximately 20,000 additional troops would probably suffice to meet the new 620,000-man ceiling.

7. PEIPIING INCREASINGLY BOASTFUL OVER ECONOMIC PROSPECTS

Comment on:

[redacted]

Peiping, riding a wave of confidence brought on by the Soviet bloc's scientific and military progress and by its own internal successes, has now set itself the goal of "catching up with and surpassing

the United States economically" in 35 to 45 years. Last month Peiping set a goal of surpassing Great Britain in the production of steel and certain other industrial items in 15 years. The official People's Daily compares the prevalent optimism of the country with that existing at the end of 1955 and early in 1956.

Excessive optimism over economic prospects two years ago lead Peiping to underestimate its problems and push ahead too rapidly with economic development. Now, after a year of retrenchment, Chinese planners are again forcing the pace; they have already raised targets for the Second Five-Year Plan (1958-1962) and for the 1958 annual plan prepared last summer.

8. CHINESE COMMUNISTS EXTEND PURGE OF RIGHTIST OFFICIALS IN PROVINCES

Comment on:

[Redacted]

Peiping is announcing new ousters of government officials in its "rectification" campaign. The latest victim is a deputy governor of Hunan Province, whose dismissal follows by a few days the removal from office of the governor and deputy governor of Chekiang.

Four other officials in Hunan were also removed from their posts as deputies to the National People's Congress. Two of them have been particular targets of Peiping's vituperation in its recent denunciations of "rightists." One incurred the regime's wrath for predicting that students would join with the general populace in creating a Hungarian-type revolt.

Purges of officials in other provinces are expected during the "rectification" campaign, which the Chinese Communists indicate will last until May.

[Redacted]

9. HIGH-LEVEL CHINESE COMMUNIST VISITS TO EGYPT

Comment on:

Ties between Peiping and Cairo will be strengthened by visits of high Chinese Communist officials to Egypt this year. Chinese Communist Minister of Defense Peng Teh-huai has informed the Egyptian ambassador to Peiping that he would accept an invitation to visit Egypt, [redacted]

[redacted] The ambassador has requested that an official invitation be sent Peng immediately.

The Cairo press has reported that Chinese Communist Premier Chou En-lai is also expected to visit Egypt soon. A previous plan to include Egypt on his Asian tour a year ago was postponed when Chou was called back to Peiping from India to proceed to Moscow, Poland, and Hungary.

Contacts between the two countries have increased since Egypt recognized the Peiping government in May 1956. During December alone, one Chinese trade group, four cultural missions, and the Chinese delegation to the Afro-Asian Solidarity Conference led by Kuo Mo-jo, president of the Chinese Academy of Science, were in Egypt.