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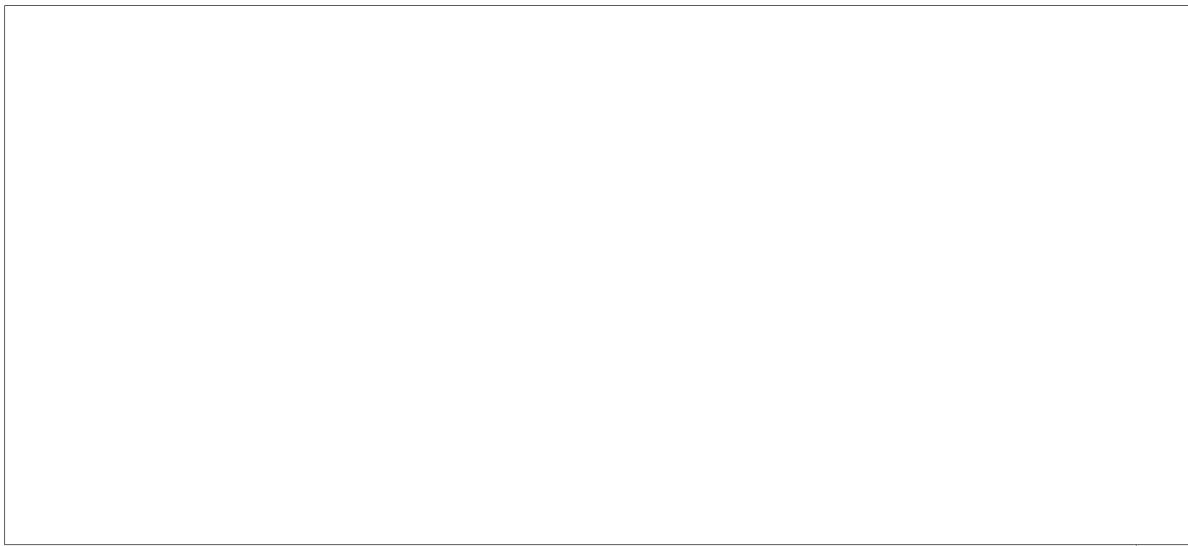
Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Japan reported abandoning efforts to get into GATT:

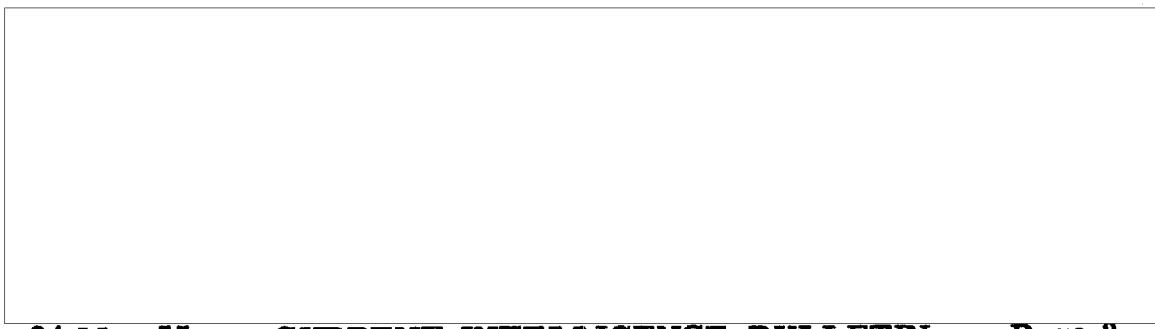


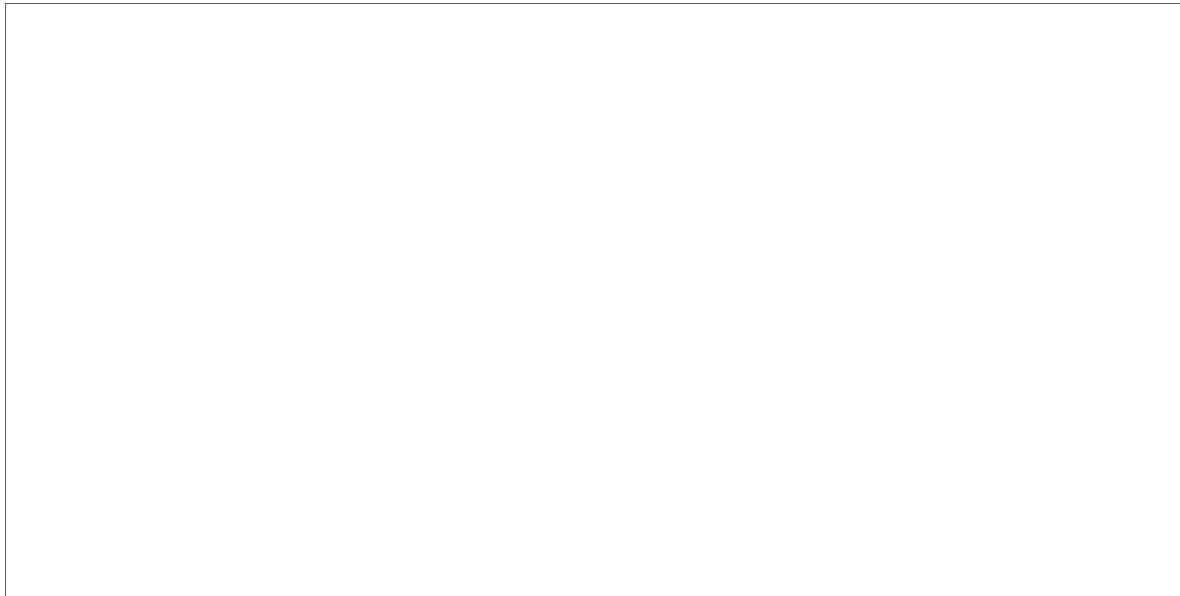
Comment: Japan has been attempting unsuccessfully for several years, with American assistance, to become a full member of GATT. Only last week the Foreign Ministry told the embassy that the cabinet would probably approve tariff agreements negotiated with the United States and other countries in connection with Japan's accession to GATT.

The Japanese, however, have felt discriminated against and may now feel that the disadvantages of membership in GATT outweigh the advantages. Much of Japan's favorable export trade of last year is attributable to subsidies and other promotional schemes which would be prohibited under GATT.

SOUTHEAST ASIA

2.





EASTERN EUROPE

3. Comment on announced reduction in Yugoslav army:

[Redacted] President Tito disclosed in a speech on 21 May that "a certain number" of Yugoslav army personnel are to be transferred to other work "because the situation is such that it is unnecessary to keep so many men in the army." He added that if peace is lasting, releases will be even greater.

Yugoslav leaders have repeatedly held that world tensions are lessening, but this is the first statement disclosing that Belgrade feels the situation permits a reduction in its military strength. Maintenance of a 300,000-man army has been justified in the past primarily on the grounds of a continued threat of aggression from the East.

Tito's statements may also indicate that Yugoslavia intends to accept a "nonaggression" pact, which the USSR may offer during the Belgrade talks.

While it is very unlikely that the Yugoslavs would accept an invitation to adhere to the Eastern European

defense pact, Belgrade may believe that a "nonaggression" pact with the USSR and eventually with the Satellites could be rationalized to the satisfaction of the West and would go a long way toward relaxing world tensions.

4. Turks uneasy over forthcoming Yugoslav-Soviet meeting:

[Redacted]

The Turkish ambassador in Belgrade told the Yugoslav foreign minister on 20 May that Ankara is concerned over the effect of the approaching Soviet-Yugoslav conference in the light of present Soviet policy and the divergence of Yugoslav-Turkish views on the development of the Balkan alliance.

According to the American embassy in Belgrade, the Turkish ambassador warned that these divergencies could have a bad effect, and that Belgrade's desire to probe Soviet intentions and relax tension should not shake Balkan military co-operation.

The ambassador pointed out that Moscow sought high-level contacts for their maximum propaganda value and to create the impression that Yugoslavia was returning to the Soviet system. He emphasized that Belgrade should recognize the danger of associating with Soviet policy and warned that the communique after the meeting must not become a trump card for Moscow.

Comment: Despite Tito's assurances to Premier Menderes during his visit to Belgrade, Turkey continues to fear that Yugoslavia might sacrifice the Balkan military alliance for Soviet promises. Tito's recently announced intention to decrease Yugoslavia's military strength will also increase Turkish apprehensions.

American officials in Athens report the Greek reaction to the Yugoslav-Soviet meeting to be calm but guarded. In contrast to Ankara, Athens has been relatively satisfied with Yugoslavia's co-operation in the Balkan alliance.

WESTERN EUROPE

5. Gronchi criticizes present Italian government coalition:

[Redacted]

Italian president Gronchi told Ambassador Luce on 21 May that a government "opening to the left" is necessary now, but that he meant the "economic" rather than the "political" left. He said that the time has not come to bring the Nenni Socialists into the government, but that it is desirable to create conditions in which the Nenni Socialists and those who voted for them could join the democratic forces.

Gronchi said that the present government coalition is not suited to the goals he has in mind, since the Liberals are blocking the reform program which was the only basis on which to fight Communism. He said that if his views are not accepted by the Christian Democratic Party in June, there would then be "a new government situation."

Comment: Gronchi apparently wants the parliament to be presented with a sweeping economic reform program which the Nenni Socialists would be forced to support or belie their claims that they are defenders of the underprivileged. The Nenni Socialists have more than four times the representation of the Liberals in the Chamber of Deputies, and their support could give the Christian Democrats a majority big enough to carry out long overdue reforms.

As president, Gronchi's own powers to push through such a program are limited. His views, however, reflect the increasing sentiment in the country, and especially within the Christian Democratic Party, that such a program is needed. Christian Democratic Budget Minister Vanoni, author of an ambitious ten-year economic plan, which the Nenni Socialists support, is Gronchi's most likely candidate for premier if the Scelba government falls.