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1. TURKEY REBUFFS LATEST SOVIET ECONOMIC AID OFFER

Comment on:

Turkish prime minister Menderes reportedly rejected Soviet first deputy premier Mikoyan's offer of unconditional economic assistance when the two met in Pakistan in late March, on the grounds that a Turkish-Soviet rapprochement depended on an over-all improvement in East-West relations. Nonetheless, Turkish officials are alarmed at the persistent Soviet overtures accompanied by "brilliant" propaganda, which they fear will influence Turkish public opinion despite Turkey's historical animosity toward Russia.

Ankara is aware of the danger of accepting Soviet economic aid. However, relaxation of East-West tensions, persistent Soviet propaganda, and continuing economic deterioration in Turkey will increase Turkish susceptibility to unconditional Soviet offers of economic assistance. A Turkish Foreign Ministry official told the US embassy in mid-March that Turkey feels it necessary to consider relaxing its attitude on cultural exchanges with the USSR.

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2. MIKOYAN REACHES NEW TRADE AGREEMENTS WITH BURMESE

Comment on:

The USSR's latest move toward making Burma the "showcase" in its "competitive coexistence" campaign in Southeast Asia was made on 1 April by Mikoyan and his delegation of trade specialists

in Rangoon. A new trade agreement of that date extends the three-year agreement of 1 July 1955 to a total of five years. The existing rice protocol was extended to four years and provides for the export of 400,000 tons of rice annually to the USSR--double the amount under the earlier agreement.

The USSR thus will become Burma's largest customer. The Soviet Union is to ship "equipment, machinery, and other goods" to Burma in exchange for the rice. The Sino-Soviet bloc has now contracted for at least a third of Burma's rice exports this year.

According to press reports, Mikoyan also agreed to build a hospital and a theater, and to build and equip a cultural and sports center which will include a stadium, exhibition facilities, a conference hall and a hotel. These "show projects," which like the proposed technical institute are gifts to Burma, will have a maximum propaganda effect. [Concurred in by ORR]

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3. SOVIET-AFGHAN CIVIL AIR AGREEMENT

Comment on:

Moscow's interest in inaugurating a Soviet air traffic route through the USSR from Europe to South and Southeast Asia was furthered by the signing of the Afghan-Soviet air agreement on 24 March. The agreement apparently will give the USSR landing rights at three Afghan airfields by July of 1956. Although in return the Afghans were granted landing privileges at four Soviet cities including Moscow, the USSR probably calculates that Kabul would be incapable of organizing an adequate air service without foreign assistance and would either ask for Soviet help or relinquish its rights.

According to the American embassy in Kabul, the fare from Germany to Kabul on the new line is to be as low as \$170, compared to the \$680 first class and \$470 tourist class Berlin-Kabul fare presently quoted by Western lines. With comparable low fares from Europe to points in Southeast Asia, the USSR would offer "cut-throat competition" to Western air lines operating between such points. Kabul would presumably be a major terminal on the main air route to the subcontinent. (Prepared by ORR)

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4. LAOTIAN PREMIER PLANS NEW APPROACH TO PATHET LAO

Premier Souvanna Phouma has sent an envoy to ask his brother, Prince Petsarath, to return from his voluntary exile in Thailand and has decided to enlist Petsarath's influence to persuade the Pathet Lao to surrender, according to the American embassy in Vientiane. Souvanna Phouma admitted that a few hundred Pathets might not respond but contended the vast majority would and that the movement would simply dissolve. If Viet Minh elements remained in the two northern provinces, they could be dealt with decisively thereafter by either diplomatic or military means.

The premier regards Petsarath as a staunch nationalist who could be relied on not to offer the Pathets dangerous concessions.

Comment

Petsarath in Thailand has constituted a focal point of intrigue and conspiracy against the Laotian royal family and government for several years, and has been accused of consorting with the Pathet Lao.

A previous attempt, in 1954, by Souvanna Phouma to persuade Petsarath to return to Laos apparently foundered on the latter's insistence on forming a coalition government including the Pathet Lao. Should Petsarath agree to return, the Pathet Lao would probably seize the opportunity of any resultant negotiations to press their campaign for participation in the government.

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5. PEIPING'S MINISTER OF FOREIGN TRADE VISITING SUDAN

[Redacted] Communist China's minister of foreign trade and three members of his delegation were to leave Cairo for Khartoum on 1 April, [Redacted]

[Redacted] The visit is possibly related to Chinese interest in Sudanese cotton.

Cairo press reports state that the question of establishing a permanent Chinese Communist trade office in Khartoum also will be discussed.

Comment

[Redacted]
believed Sudanese prime minister Azhari "seriously desired" to establish diplomatic relations with Communist China. Following Egypt's lead, the Sudanese might agree to the establishment of a permanent Chinese Communist trade office in Khartoum, which would increase Peiping's chances for eventual recognition.

Nationalist China is currently negotiating for diplomatic relations with the Sudan and has recently sent a six-man trade mission to visit Near Eastern countries in the hope of countering Peiping's efforts in the area. [Redacted]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 2 April)

The Greek government has formally granted Israel landing rights for the transit of 12 French Mystere jet aircraft, according to the Israeli Foreign Ministry.

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