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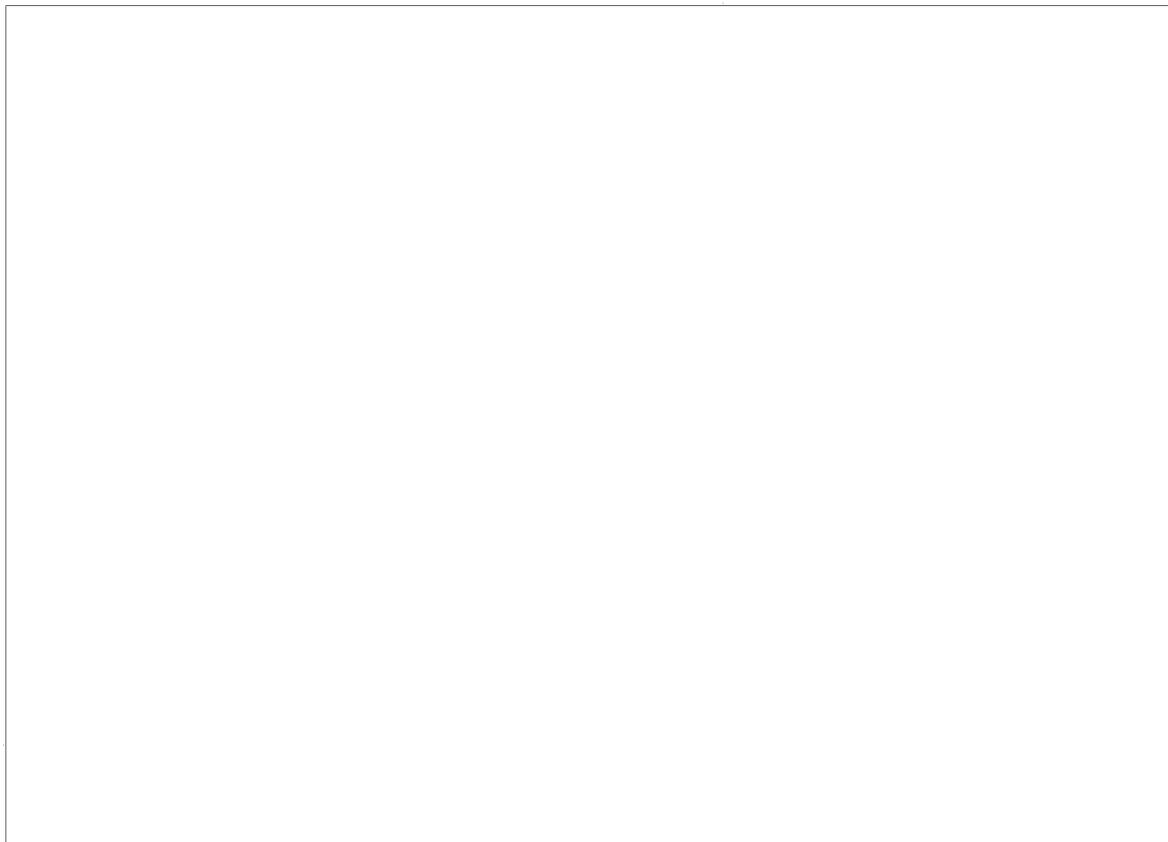
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SOVIET UNION

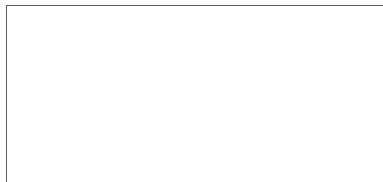
- 1. Preparations for Soviet withdrawal from Port Arthur noted:**



Comment: The intention to withdraw Soviet forces from the Port Arthur area by 31 May 1955 was announced in the Sino-Soviet declaration of 11 October 1954. Among Soviet forces at Port Arthur are an estimated 60,000 ground troops, air units with authorized strengths totalling 445 MIG's and 160 IL-28's, five or six submarines, and six minesweepers.

FAR EAST

- 2. Comment on new Japanese cabinet:**



The new Hatoyama cabinet is composed exclusively of Democrats, with a number of hold-overs, and accurately reflects the balance of power among competing factions within the Democratic Party.

The retention of Foreign Minister Shigemitsu against Hatoyama's wishes, may serve as a brake on the prime minister's efforts toward accommodation with the Communist bloc. Hatoyama has already started to undercut Shigemitsu, however, by announcing he would consult Arata Sugihara, his original choice as foreign minister, on the appointment of the chief Japanese delegate to the Japan-USSR negotiations in New York.

Sugihara has been appointed director of the Defense Board and, according to Japanese defense officials, this will have an adverse effect on Japanese rearmament. The appointment of an able, aggressive welfare minister and the retention of strong personalities in economic posts emphasize the continuance of the "butter over guns" policy.

Hatoyama's frail health and his party's minority position in the Diet make it evident that the new government will be short-lived. Former prime minister Yoshida's Liberals have pledged co-operation on legislation of mutual interest, but their action in joining the Socialists to elect a Liberal speaker and Socialist vice-speaker in the lower house serves notice that their co-operation will not be automatic.

NEAR EAST - AFRICA

3.

4. Iraq reportedly approached to help overthrow Syrian cabinet:

[REDACTED]

Iraq's acting foreign minister told the American ambassador in Baghdad on 17 March that his government has been receiving requests from the president of Syria and other friendly elements for help in establishing a conservative, pro-Iraqi cabinet in Syria.

The Iraqi official said that the kind of help desired had not been defined. He asked whether the Syrians had approached the United States, and urged "sympathetic understanding" of such requests.

Comment: The Iraqi official's statement seems to be an indirect bid for American support and suggests that Iraqi planning for a coup in Syria may have reached an advanced stage. The Iraqis presumably would first seek to overthrow the government by parliamentary means and would consider military intervention only if this effort failed.

Syrian president Atasi implied on 7 March that he was considering asking Iraq to send troops to Damascus to block the establishment of Egyptian military control there.

5. Comment on differences among Balkan allies:

Apparent differences over the purposes of the Balkan alliance threaten continued co-operation among Greece, Yugoslavia and Turkey.

Turkish prime minister Menderes asserts that Belgrade has consistently dragged its heels on carrying out the military aspects of the pact, and he believes that Yugoslavia may hope, in the event of war, to be "another World War II Sweden."

Greece and Yugoslavia, however, express complete satisfaction with their joint military co-ordination. Ambassador Cannon in Athens and Ambassador Riddleberger in Belgrade both believe that Marshal Tito has no illusions that he can remain neutral.

On the other hand, Greece believes that Ankara's interest in the military aspect of the tripartite pact is secondary to its interest in the political advantages of the pact.

The Greeks accuse the Turks also of having "continuously tried to stall and even subvert" the creation of the Balkan parliamentary assembly. They probably feel Turkey has no interest in a purely Balkan entente but intends to use pact membership to strengthen its influence with the major Western powers and to enhance its prestige in the Mediterranean and Near East areas.

EASTERN EUROPE

6. Hungary and Poland to resume diplomatic relations with Greece:

Comment: According to the French Press Agency, the Greek government announced on 18 March it would resume diplomatic relations with Poland.

These developments suggest that the "peaceful coexistence" tactics, have not been altered by the leadership changes in Moscow.

Greece will probably also respond favorably to Rumanian proposals now being negotiated. Similar bids from Albania are likely to continue to meet with indifference in Athens because of Greek territorial claims.

No progress has been made in Bulgarian-Greek negotiations because of disagreement over the payment of Bulgarian reparations to Greece.

7. Comment on 1955 Polish budget:

The Warsaw broadcast on the 1955 Polish budget reveals that allocations for national defense are scheduled to increase about 12 percent this year--the same percentage as Soviet defense allocations--in order to "maintain full vigilance in the face of the designs of imperialist circles, aimed at a revival of German imperialism."

Though total budget allocations will rise 11 percent, the increase in planned defense outlays cannot be attributed solely to the larger over-all size of the budget. Last year the budget defense allocations showed no increase, while total budgetary allocations rose by 6.4 percent.

Finance Minister Dietrich called the expansion of heavy industry the basis of the further development of the national economy and also placed "special emphasis on the development of agricultural production," as did the recent policy announced in the Soviet Union.

Emphasis on consumers' goods production will apparently continue through 1955, however, as the 1955 plan calls for a greater increase in the output of consumer goods than of heavy industrial equipment. An official commentator has stated that these rates of increase are "exceptional" and a departure from a "binding principle."

Poland is likely to place primary emphasis on heavy industry when a new long-term plan is inaugurated in 1956. [redacted]

WESTERN EUROPE

8. Comment on French Council action on Paris agreements:

The French Council is still likely to approve the Paris agreements without amendment by the end of March, but the opponents of German rearment are making last minute efforts severely testing the strength of the Faure government. It was only with great difficulty that the premier was able to put off reopening of the Saar question in the Assembly until after the scheduled Council debate on the Paris agreements.

Most influential French senators believe the chances for Council approval have considerably improved largely because of the performance of Faure and Foreign Minister Pinay before the Council's foreign affairs and defense committees,

[redacted]

[redacted]

9. Break with Communists reportedly sought by Nenni Socialists:

A movement is under way in Italy to separate the Nenni Socialists from the Communists.

Participants are leaders of the Nenni Socialists, Democratic Socialists, Republicans, various splinter left-of-center parties, and the left wing of the Liberals. The aim is to find, through the creation of a political alternative to the present center government coalition, a solution to the current impasse which prevents the government from acting on pressing problems.

Nenni himself is reported to have agreed to this scheme, from which Democratic Socialist leader Saragat has allegedly been excluded.

Comment: The Scelba government's days appear numbered because of failure to achieve concrete results on its reform program, and a turn to the left is a distinct possibility. Nenni has reportedly declared he would support any government committed to a more social-minded policy than the present one.

the Communist Party is encouraging a break with the Nenni Socialists. Nenni Socialist participation in a left-of-center government would serve Communist purposes by undermining Italy's pro-Western ties.

LATIN AMERICA**10. Coup attempt expected in Panama during week of 21 March:**

[redacted] Lieutenant Colonel Saturnino Flores, second in command of the Panama National Guard, will attempt to overthrow President Ricardo Arias during the week of 21 March in order to prevent the trial of ousted President Guizado, [redacted]

Comment: The trial of Guizado, who is accused of complicity in the Remon murder, is scheduled to begin on 21 March. The involvement of other government officials might be revealed during the trial which is a potentially explosive factor in the Panamanian situation. Certain forces in the government apparently plan to find Guizado guilty "by hook or crook."

Flores, who has been described as a "tough career man . . . from the ranks," appeared to be emerging as a strong man in January. He might command more loyalty from the National Guard, a determining factor in Panamanian stability, than his superior, Commandant Bolivar Vallarino. Differences among Guard leaders have been rumored, but prior to this time there had been no information that Flores would attempt a coup.

11. Comment on possible Colombian revolution:

[redacted] A revolution led by General Alfredo Duarte Blum, Commanding General of the Armed Forces, is expected to begin in Colombia within a few days. [redacted]

troops are already being moved into strategic positions in Bogota.

General Duarte, who is closely linked with the major opposition Liberal Party, has not prior to this time revealed personal political ambitions. Popular with an

important group of officers, he has increased his power over the past two years. He is believed to be friendly to the United States.

Inept government by Conservative president Rojas, together with his statement of 1 January that the state of siege imposed in 1949 would continue throughout his term of office, or until August 1958, has seriously antagonized both Liberals and Conservatives. Outbreaks of sporadic violence have recently increased.