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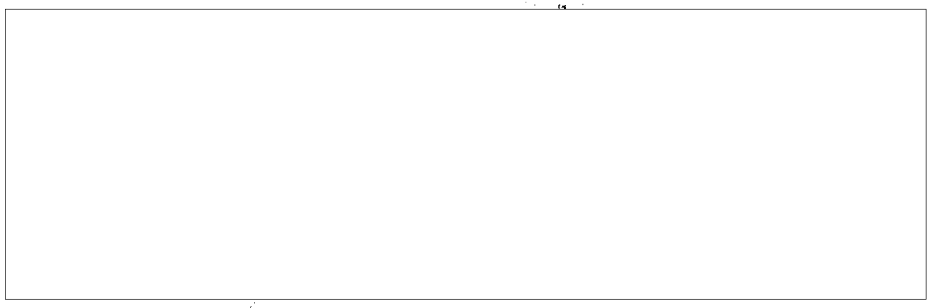

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1. GREEK KING PLANS TO REPLACE PRIME MINISTER PAPAGOS

King Paul is insisting on the appointment of a new prime minister to replace ailing Marshal Papagos. The king suggests that if Papagos refuses to resign and name a successor, the cabinet should resign and propose a new prime minister or permit the king to choose one.

Minister of Public Works Constantine Karamanlis believes Papagos will nominate Foreign Minister Stephanopoulos to head a caretaker government.

Comment — Any new government sponsored by the Rally is unlikely to gain popular support or reverse the trend of Greek public opinion toward neutralism. The king apparently hopes elections can be avoided until popular passions arising from the Cyprus issue have subsided and until Karamanlis can create a strong center party capable of being elected.

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2. EGYPT REPORTED PROMOTING SYRIAN AND LEBANESE PURCHASES OF SOVIET ARMS

The Egyptian military attaché in Damascus has recently approached military officials in Syria and Lebanon regarding the purchase of arms from the Soviet Union, according to the American army attaché.

Comment Egypt's interest in obtaining military equipment for Syria and Lebanon would be in line with its desire to maintain its leadership in the Arab world. the Saudis have sought Egypt's aid in obtaining arms in Europe.

Press reports indicate that an Egyptian delegation is to spend three days in Syria on its way to Prague to discuss arms for Egypt. One of the delegates mentioned has headed economic missions to Eastern Europe and Moscow.

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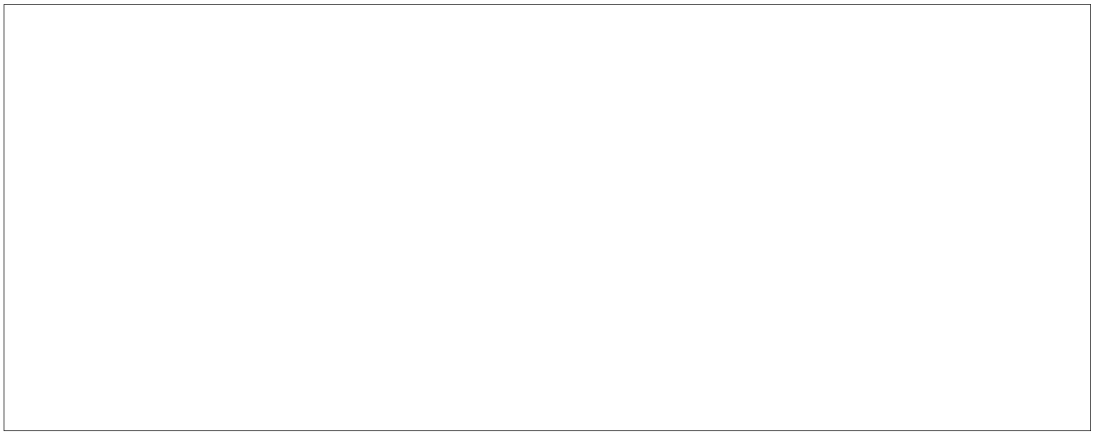
3. EGYPT REQUESTS COAL FROM COMMUNIST CHINA



The closer economic contacts with China recently reflected in the purchase of Chinese steel reinforcing rods are an outgrowth of last April's Bandung conference, where Chou En-lai and Premier Nasr indicated an interest in the development of further contacts between their countries. (Concurred in by ORR)

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4. BONN'S DEFENSE BUDGET INDICATES REARMAMENT SLOWER THAN PLANNED

Despite Chancellor Adenauer's recent public statement in support of rapid rearmament, the position of his government on defense expenditures makes it appear that the prospective build-up will be slow, according to Ambassador Conant. On 28 September the Bonn Foreign Ministry notified the American embassy that the government intends to spend approximately 2.3 billion dollars annually on the new army and that this sum will probably not be increased until after the 1957 federal elections.

Conant observes that such a program would leave a large gap between Bonn's total defense bill and the outlays necessary for the planned three-year build-up.

Comment — Discussions on the rate and magnitude of German rearmament are now being held in Bonn and in Paris in connection with the NATO annual review. Bonn's Defense Ministry, with Adenauer's ostensible support, strongly advocates a three-year build-up. The chancellor, however, has not opposed the actions of the Finance Ministry, which is intent on stretching out the build-up period to five or six years so as to keep defense expenditures low.

Bonn's contemplated expenditures are less proportionately than the defense expenditures of other major NATO countries.

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