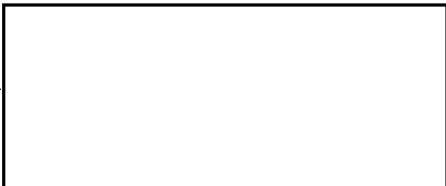


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NEXT REVIEW DATE: 2010
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CENTRAL INTELLIGENCE AGENCY



DIA and DOS review(s) completed.

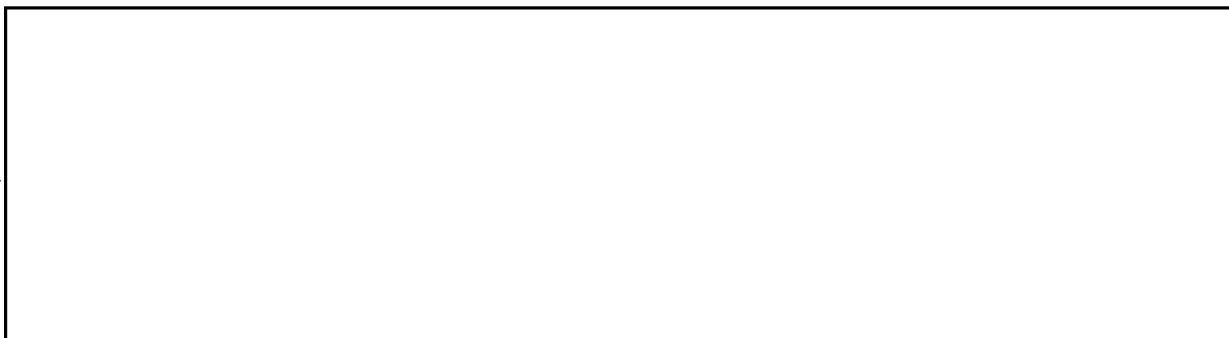
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SUMMARY

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NEAR EAST - AFRICA

3. Iraq reported unwilling to sign new Arab pact (page 4).
4. Israeli prime minister says Egypt is 'playing with fire' (page 5).

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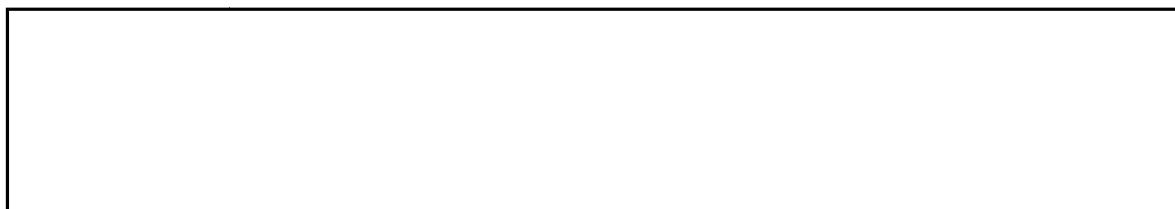
WESTERN EUROPE

6. Bonn officials plan retaliation against East German truck tolls (page 6).
7. West German defense legislation likely to be delayed (page 7).

THE FORMOSA STRAITS (pages 8, 9)

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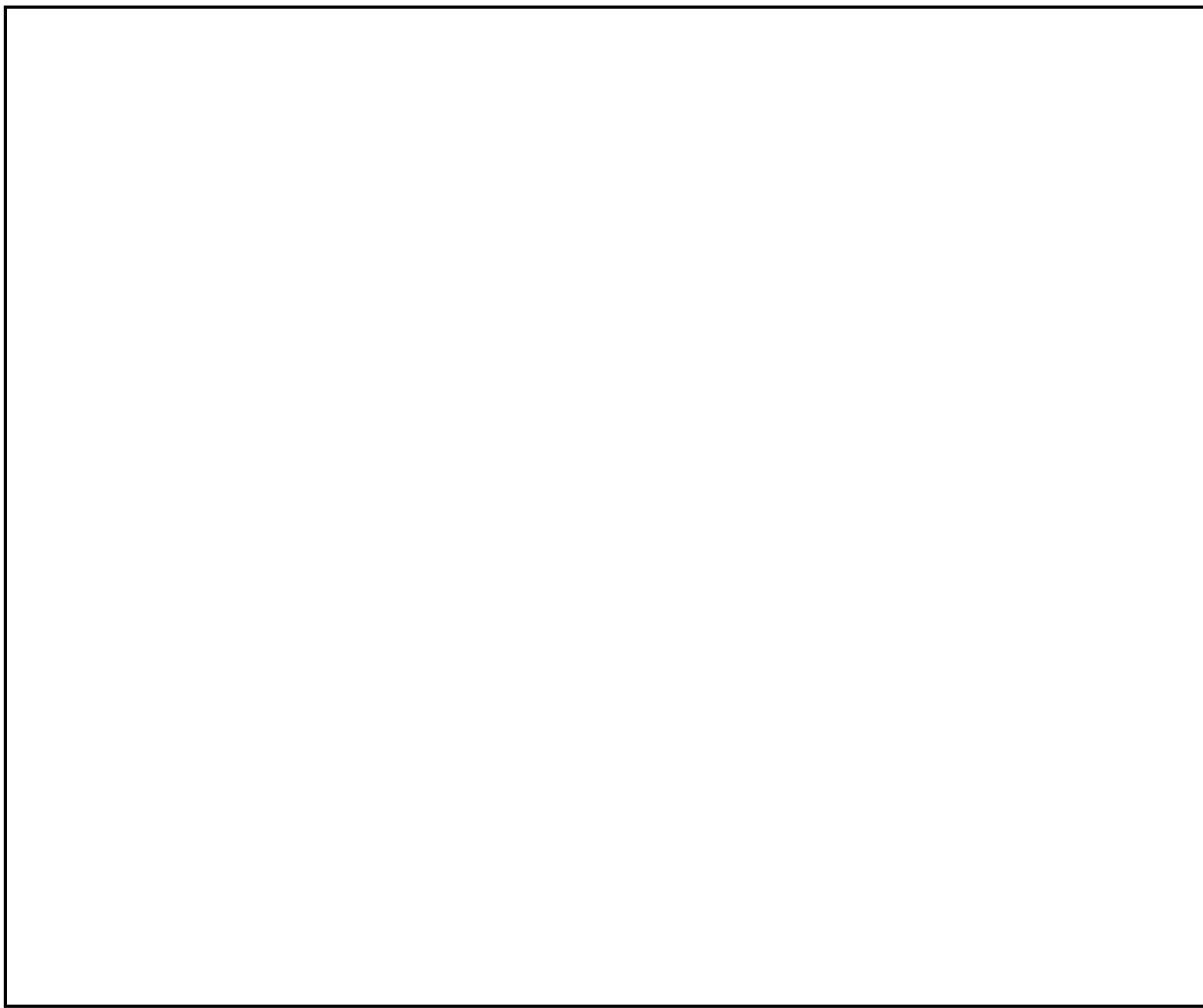
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NEAR EAST - AFRICA

- 25X1A 3. Iraq reported unwilling to sign new Arab pact:



The Iraqi minister to Syria stated flatly to Ambassador Moose on 30 March that "Iraq is not going to sign any new pact." The minister referred to an offer by

Syria to sign a new defense pact with Egypt on condition that provision be made for Iraq's participation.

Ambassador Moose comments that if the minister's statement reflects a firm government policy, then

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Iraq appears uninterested in the current Syrian effort to "save Egyptian face." Syria is trying to bring Iraq into the new pact proposed by Cairo to replace the Arab League Collective Security Pact.

Comment: The Iraqi government probably is opposed to the Cairo sponsored pact, since Iraqi participation would have the twofold effect of endorsing Egypt's opposition to the Turkish-Iraqi pact and of buttressing the present anti-Iraqi government in Syria.

Turkish officials have expressed concern, however, that steps may be required to keep Iraq from succumbing to Syrian-Egyptian pressure to adhere to the proposed pact in the interest of preserving Arab unity.

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4. Israeli prime minister says Egypt is "playing with fire":

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[redacted]
Israeli prime minister Sharett told Ambassador Lawson on 1 April that Egypt is "playing with fire" and would be well advised to exercise restraint on the Israeli border. Sharett said he wished to emphasize that the situation is extremely tense and that all the elements for an explosion are present.

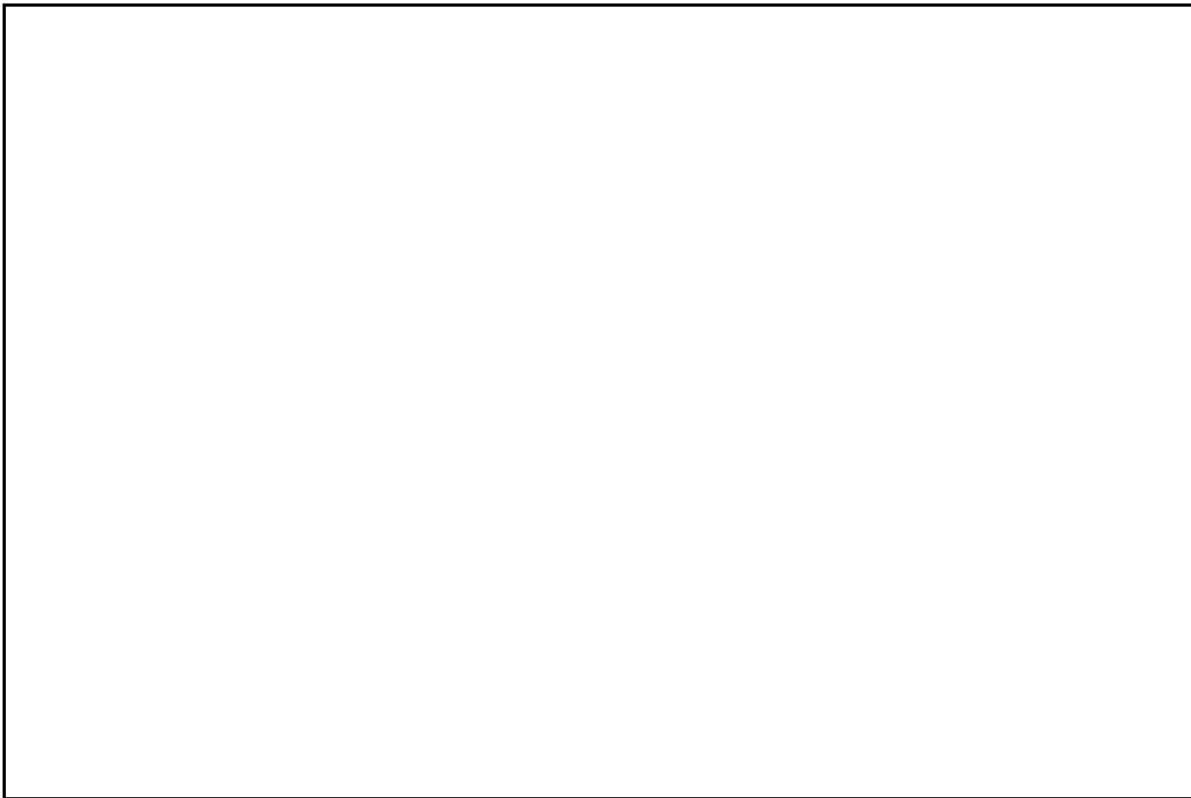
Comment: This report emphasizes the likelihood, noted by the American army attaché in Tel Aviv on 30 March, that a "heavy" engagement between Israeli and Arab military forces will result from heightened border tension.

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WESTERN EUROPE

25X1A 6. Bonn officials plan retaliation against East German truck tolls:

[Redacted] West German economic officials want to threaten termination of Western deliveries of key products, such as Ruhr coke and steel, to East Germany in order to force the East German government to cancel the recent increases in levies on truck shipments to West Berlin.

They told American representatives in Bonn that this threat would take the form of a Bundestag proposal for an exorbitant tax on exports to East Germany. The tax would be set so high that Western exporters could not pay

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it unless the East Germans absorbed the costs. The proceeds of the tax would be placed in a special fund to pay the East German truck taxes.

Comment: Such a threat might cause the East German government to reconsider its position on the truck taxes. Except in the sphere of interzonal trade, West Germany probably has no other effective means for retaliation.

At present the flow of traffic to West Berlin is normal since the West Berlin government is paying the tax.

7. West German defense legislation likely to be delayed:

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Officials of the West German government and key Bundestag deputies now feel that defense legislation to implement the Paris accords will not be enacted until autumn, according to American representatives in Bonn. West German defense planners had said previously that such legislation would be passed before the Bundestag's summer recess.

Responsible for the expected delay are procedural difficulties in the Bundestag and the belief of many deputies that such legislation should be delayed until public opinion is more favorable.

American officials now predict that the German arms build-up will not start before early 1956.

Comment: The belief is strong in West Germany that rearmament should not be undertaken until the West has made a major effort to test Moscow's intentions on German unity.

The pessimism of Bonn government officials on the defense legislation issue has probably been inspired partly by the Finance Ministry, which for fiscal reasons is not anxious to support a rapid arms build-up.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 2 April 1955.

1. Military activity in the area has been negligible. Bad weather hampered observation. [redacted]

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2. The US Army Attaché reports from personal observation that Chinese Nationalist defenses in the Matsu Area Defense Command are being rapidly improved; the garrison should be able to give a good account of itself if it can continue the present rate of improvement for thirty days more. Units are at five per cent over-strength and the logistical situation is considered adequate. Lack of adequate antiaircraft defenses and insufficient artillery, mortars, and automatic weapons are serious weaknesses in the Matsu defenses at present. Even if these deficiencies are corrected, however, the Chinese Communists will retain the capability to take these islands against Nationalist forces alone. [redacted]

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington
up to 1100 hours 3 April 1955.

1. Three Chinese Nationalist minor naval vessels attacked
a Chinese Communist patrol boat and an LCT in the Matsu area on
3 April. The Nationalist vessels were driven off by Communist
coastal artillery.

This is the first report of Chinese Nationalist naval
action to restrict recent Communist naval and logistic operations,
which have been openly and freely conducted in the Matsu area.

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