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~~TOP SECRET~~

**SUMMARY**

**GENERAL**

1. Britain to emphasize Southeast Asian defense problems at Commonwealth conference (page 3).

**SOVIET UNION**

2. Northern Fleet naval units to go to Black Sea (page 4).
3. Bohlen believes USSR forced by domestic reaction to moderate propaganda on German rearmament (page 4).
4. Comment on second Soviet offer to share atomic knowledge (page 5).

**FAR EAST**

5. Hatoyama's advocacy of closer Orbit relations acclaimed by electorate (page 5).

**SOUTHEAST ASIA**

6. Saigon clique reported planning overthrow of Diem government (page 6).
7. Fighting may intensify soon in northern Laos (page 7).

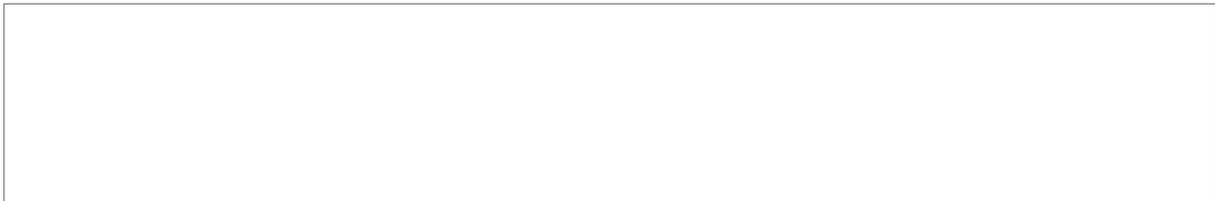
**NEAR EAST - AFRICA**

8. Comment on Arab hostility to proposed Iraqi-Turkish defense treaty (page 8).

**WESTERN EUROPE**

9. Replacement of Portuguese defense minister reported imminent (page 8).

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GENERAL

1. Britain to emphasize Southeast Asian defense problems at Commonwealth conference:



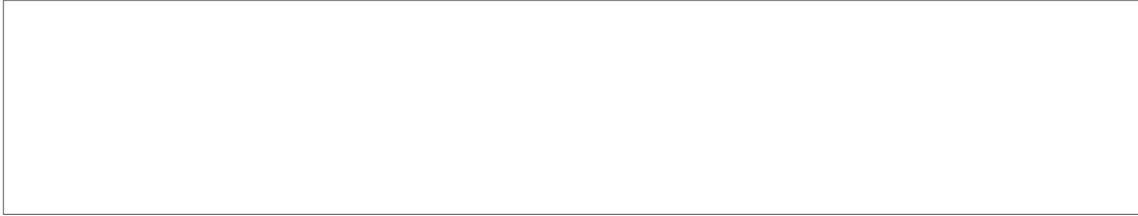
Probably the most important matter the British will raise at the Commonwealth prime ministers' conference in London beginning 31 January is the proposed commitment by Australia and New Zealand to station troops in Malaya, according to the American embassy in London.

Britain proposes that Australia and New Zealand make Southeast Asia their "major military preoccupation," since Britain is unable to increase its permanent garrison in the area. Furthermore, in the event of atomic war, Britain may be unable to provide military support for either the Middle East or Southeast Asia.

Any plan agreed on at the conference will be presented to the United States "for comment," according to British officials.

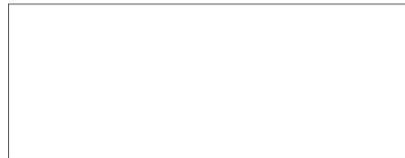
Comment: Britain's emphasis on the possible consequences of atomic war seems designed to persuade the Australian government to take the politically unpopular action of stationing troops overseas in peacetime. A plan to station two Australian battalions in Malaya was approved at the chief-of-staff level over a year ago, but has still not yet been accepted by the Australian cabinet.

British military planners have indicated they regard regional defense associations under direct British influence, such as that proposed for Australia, New Zealand, and Malaya, as the only alternative to gradual abandonment of British interests in many areas. Partly because of this conviction, the British may also be expected to continue their efforts to secure from the United States a specific military commitment in Southeast Asia.

~~TOP SECRET~~**SOVIET UNION****2. Northern Fleet naval units to go to Black Sea:**

Comment: This Soviet naval force would probably include cruisers as well as destroyers. No exercises involving important naval elements from any two of the four major fleet areas have been held in the history of the Soviet navy. The 5,000-mile voyage between Murmansk and Sevastopol, the respective fleet headquarters, would probably take about two weeks.

In addition to providing much-needed training, such a cruise might be intended as a show of force to discourage implementation of the Paris accords. Beginning in 1953 the USSR has shown increasing interest in the use of naval power as an effective instrument of foreign policy in time of peace.

**3. Bohlen believes USSR forced by domestic reaction to moderate propaganda on German rearmament:**

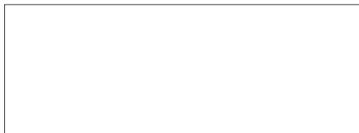
Ambassador Bohlen notes that the Soviet propaganda campaign to mobilize domestic public opinion against German rearmament, which reached a peak in mid-December with the publication in Pravda and Izvestia of letters from war veterans, fell off abruptly even before the French assembly debate. He believes that a possible interpretation might be the regime's concern about growing uneasiness, rumors of war, and signs of food hoarding during the height of the campaign. He sees this as an indication of the regime's sensitivity to domestic opinion.

Comment: There have been some signs that Satellite governments are trying to curb war scares that have resulted from the vigorous campaign against German rearmament.

~~TOP SECRET~~

While Moscow has moderated its campaign to stir domestic opinion, its foreign propaganda has dipped only slightly since the French assembly debate and has now been reinforced by the 15 January statement on Germany. Soviet propaganda for domestic consumption usually avoids repeated use of war-scare themes and always tempers them with reassurances that the USSR is seeking peace from a position of strength.

4. Comment on second Soviet offer to share atomic knowledge:



The Soviet offer to assist Communist China, Poland, Czechoslovakia, Rumania and East Germany in carrying out research in nuclear physics and "the use of atomic energy for peaceful purposes" is obviously an effort to offset the Western "atoms-for-peace" plan endorsed by the UN.

The USSR's present move may also be partially motivated by the belief that wider Satellite participation in nuclear developments is desirable to achieve more effective co-operation. Except for token shipments of radioactive isotopes, these Satellites have received virtually nothing in return for their uranium ore.

The statement that the USSR is considering expanding this offer to other states may indicate that it hopes to demonstrate its ability to surpass the West in applying nuclear energy to peaceful pursuits. In order to do this, Moscow may expand its plan outside the Orbit by offering fissionable materials and technical assistance to the underdeveloped Asian countries.



FAR EAST

5. Hatoyama's advocacy of closer Orbit relations acclaimed by electorate:

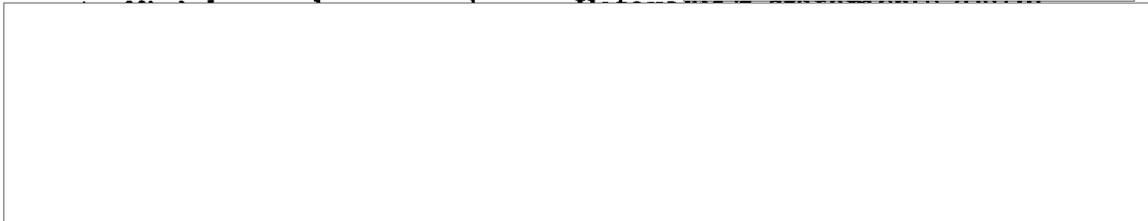


Prime Minister Hatoyama's advocacy of closer relations with the Orbit is increasing his personal popularity and



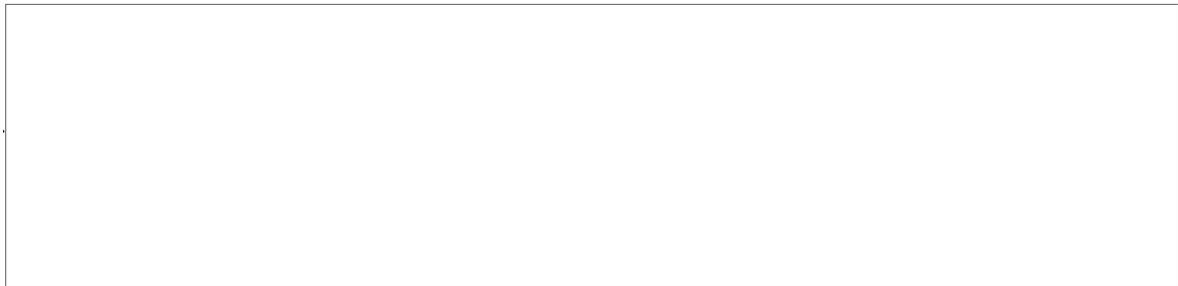
the Democratic Party's chances in the election campaign now under way in Japan. The American embassy in Tokyo reports that Hatoyama has attracted crowds such as ordinarily turn out only for the emperor, and while the press and intellectual circles are beginning to express some doubts over Hatoyama's frank and frequently off-the-cuff expressions of friendship for the Communist nations, the populace appears to be enchanted.

Despite the assurances of Foreign Minister Shigemitsu that Japan is not now contemplating any moves toward the Orbit, the public response to Hatoyama's pronouncements will probably force the next Japanese government to take some action toward establishing diplomatic relations with the USSR and possibly Communist China.



### SOUTHEAST ASIA

#### 6. Saigon clique reported planning overthrow of Diem government:



Comment: The alleged conspirators have virtually no organization or popular following, and would have to rely almost entirely on French support in order to succeed. The Ministry for the Associated States in Paris as recently as 14 January, however, expressly endorsed Tran Van Huu for the premiership.

Tran Van Huu is on record in favor of "coalition" with the Viet Minh.

The Diem government's relations with the Binh Xuyen have been improving, but that group has long followed a policy of dispersing its investments

7. Fighting may intensify soon in northern Laos:

"Considerable hostilities" could break out shortly in northern Laos if the Laotian government responds as now planned to continuing Pathet Lao attacks in Sam Neua Province, the American legation in Vientiane reports. The Laotian minister of defense is dispatching several battalions to the province's southern boundary with the intention of advancing into the province in the event of further attacks. The minister says government forces now in the province are outnumbered about six to one by Pathet Lao troops.

The legation comments that one favorable effect of these Pathet Lao attacks is that they have apparently dissipated some dangerous illusions of Laotian government officials regarding the Pathet Lao.

Comment: Sporadic Pathet Lao attacks in both Phong Saly and Sam Neua Provinces have occurred over the past several months in contravention of the truce. The current attacks in Sam Neua Province, which began on 13 January and are reported to involve upwards of 1,200 Pathet Lao troops, represent the most concerted effort by the Communists to date to prevent the consolidation of royal government control in these provinces.

French officials in Laos believe these provinces will become permanent Communist possessions unless drastic action--either military or a direct appeal to the Geneva signatories--is taken soon by the Laotian government.

NEAR EAST - AFRICA

8. Comment on Arab hostility to proposed Iraqi-Turkish defense treaty:



The initial strong Arab reaction against the Iraqi-Turkish declaration of intention to conclude a defense pact "in the very near future" will severely strain the ability of Iraqi prime minister Nuri to continue co-operating on Middle East defense planning.

The joint announcement has been received with considerable surprise and little approval in the Arab capitals. The consensus seems to be that Iraq has betrayed the Arab League by making a major policy decision in favor of collaboration with Turkey and the West without prior consultation with the other Arab states.

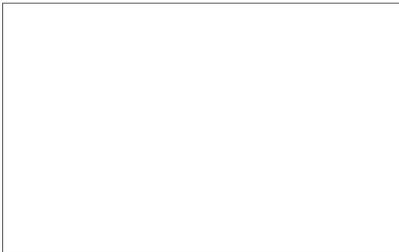
Egypt, sensing an Iraqi challenge to Cairo's leadership of the Arab League, has called an emergency meeting of the league for 22 January to consider the situation.

Since league meetings on such issues normally result in a reaffirmation of Arab solidarity, subsequent Iraqi delay on the agreement with Turkey is likely to result.



WESTERN EUROPE

9. Replacement of Portuguese defense minister reported imminent:



It is generally expected in Lisbon that Defense Minister Santos Costa will soon be replaced in a shake-up of the high commands of the Portuguese Army and Defense Ministries, according to the American army attaché in Lisbon.

Comment: United States-Portuguese negotiations for renewal of the Azores base agreement, which are expected to begin next month, could be complicated or delayed by a shake-up in the Defense Ministry.

In any case, the removal of Santos Costa would be a major change in the Portuguese government. Salazar's support enabled him to advance to the ministry over the heads of senior officers and to exercise strong personal control over defense matters. In spite of his unpopularity with army commanders, Santos Costa has often been considered a possible successor to Salazar. His removal now could indicate a desire on the part of Salazar for stronger support from the army, an important element in Portuguese politics.

18 Jan 55

CURRENT INTELLIGENCE BULLETIN

Page 9

~~TOP SECRET~~