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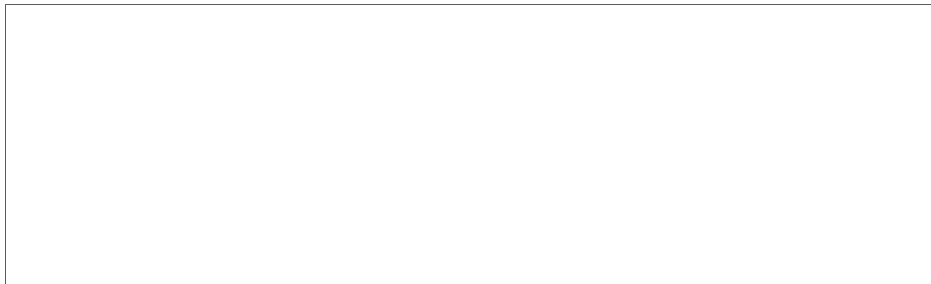
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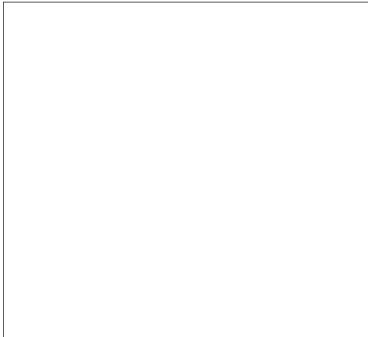
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1. PAKISTAN REACTING FAVORABLY TO SOVIET TRADE OVERTURE



Pakistan is responding favorably to Soviet premier Bulganin's suggestion of a trade pact to improve Pakistani-Soviet relations.

Following a statement by the Pakistani foreign minister on 7 February that Pakistan's policy aimed at friendship and co-operation with as many nations as possible, press reports from Karachi said on 9 February that a cabinet decision had been reached to open trade negotiations with the USSR.

Although Bulganin also indicated that technical assistance could be made available, Karachi will probably confine its initial relationship with the USSR to exchanging agricultural exports such as jute and cotton for machinery and manufactured goods. (Concurred in by ORR)

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2. MOVE TO EXPEL POUJADIST DEPUTIES MAY CAUSE VIOLENCE



The move to invalidate credentials of 12 of the 52 Poujadist deputies by the French National Assembly may lead to violent demonstrations in the districts where they were elected, according to ex-premier Antoine Pinay.

Pinay thinks that the Poujadists may get veterans' support and try to emulate the veterans in Algeria, whose demonstrations have forced the resignation of General Catroux as minister resident in Algeria. (NOFORN)

Comment

The invalidation move is probably a political effort by the Republican Front, since the credentials of the Poujadist candidates were accepted by the Ministry of Interior before the election. The Republican Front stands to gain some seats if the action is carried out.

The Communists, who support the republican Front in this effort, have considerable veteran support of their own. The government can be expected to make a strong effort to block any mass Poujadist demonstration or counter-action by the Communists.

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3. SOUTH KOREA REPORTEDLY TO DIVERT US AID FUNDS TO PRESIDENTIAL CAMPAIGN

[REDACTED] South Korea's Liberal Party was planning in late January to raise some \$4,000,000 by diverting funds received from the sale of US aid goods, [REDACTED]

[REDACTED] much American aid is wasted because of diversions to South Korean politicians and the theft of construction materials.

Comment

Other reports suggest that the close identification of the Liberal Party with the administration has permitted revenue from the sale of aid goods to be channeled into party coffers. An American official in Korea has estimated that 22 percent of imported coal, for example, is pilfered or otherwise diverted.

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4. BURMESE INSURGENTS SEEK THAI CLEARANCE FOR ARMS FROM TAIWAN

Comment

[redacted] the Karens have sought arms from Taiwan and that Chinese Nationalist officials are willing to provide them--'if a way can be found to get around the Americans.'" Although one boatload of arms will do little to improve the Karens' limited military capabilities, the Burmese would almost certainly learn of it and would suspect that Thailand and the United States are involved.

[redacted] a Burmese official, acting under urgent instructions from Premier Nu, informed the American ambassador of his government's certain knowledge that the Karen insurgents maintained important contacts in both Taipei and Bangkok. The Burmese asked for remedial action by Thailand and the United States. [redacted]

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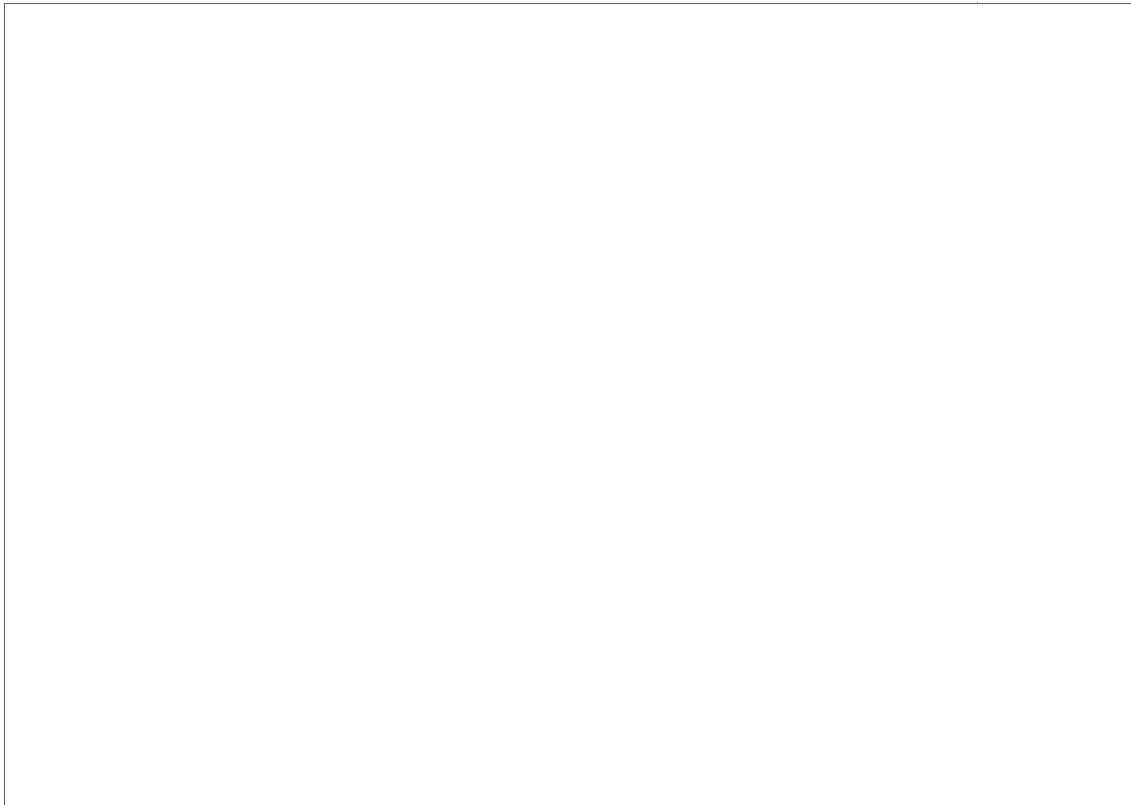
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**5. KHRUSHCHEV DEFINES DETENTE AS IMPOSSIBILITY
OF MAKING WAR**



Comment The Soviet party chief's vigorous reaf-
firmation of Communist faith recalls his
statement to an East German delegation last September that
those "who expect us to forget" Marxist doctrine "will have
to wait until a shrimp learns to whistle."

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6. EGYPTIAN POLICE ARREST CAIRO COMMUNIST LEADERS

[redacted] Between 5 and 7 February the Egyptian police arrested 39 leaders of the illegal Communist party and seized printing equipment of new and excellent

quality, [redacted]

[redacted] these raids have "broken the back" of the Communist leadership in Egypt.

[redacted] the indications of substantial financing and advanced organization found in these raids shocked Interior Minister Muhieddin and Prime Minister Nasr, who now realize they have badly underestimated the subversive potential inherent in close relations with the Soviet bloc. [redacted]

Comment

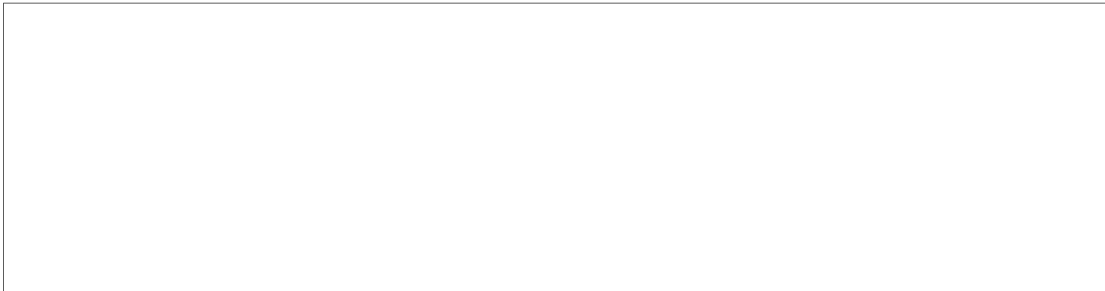
Muhieddin, [redacted]

[redacted] believed earlier that the USSR would not risk antagonizing the regime by supporting subversive activity while the arms deal was being carried out. While the regime may be more alert to the possibility of such activity in the future, its attitude on internal subversion is not likely to have a significant effect on its dealings with Soviet bloc governments.

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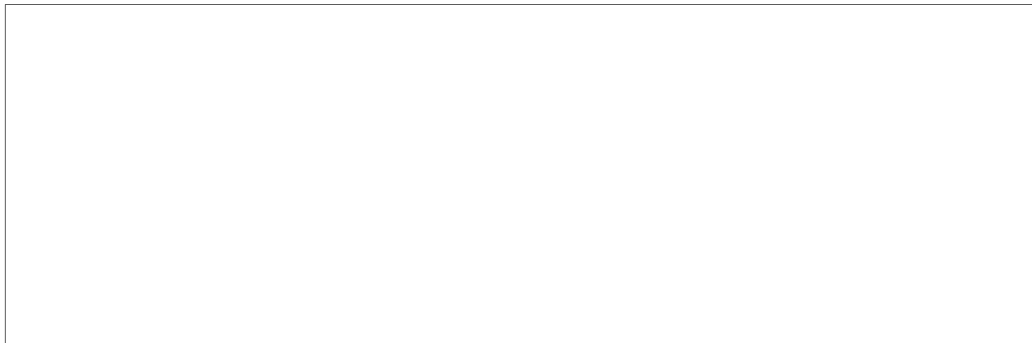
7. TURKISH MINORITY REPORTEDLY INSTRUCTED TO VOTE AGAINST GREEK PREMIER



Comment

In the close election race, the 13 seats in northern Greece controlled by the Turkish minority's vote might spell the difference between victory and defeat for Karamanlis. Karamanlis reportedly has been seeking a way to persuade Ankara to encourage this Turkish minority to vote for him.

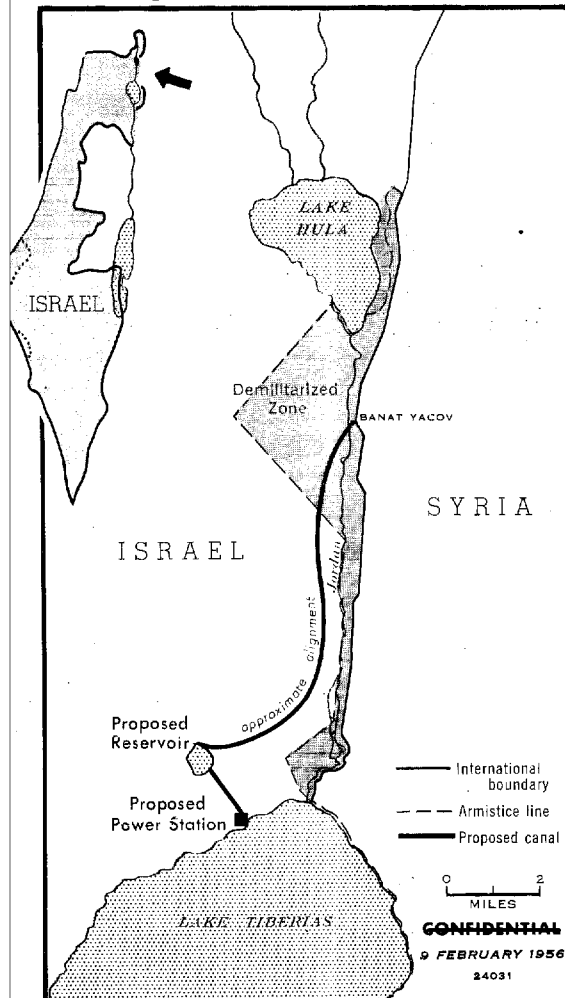
Ankara, however, in using its influence against Karamanlis, may be trying to promote Greek political instability and thus prevent the formation of a government strong enough to put across a compromise settlement with Britain on the Cyprus issue. The Turks have shown extreme concern over a possible compromise settlement.

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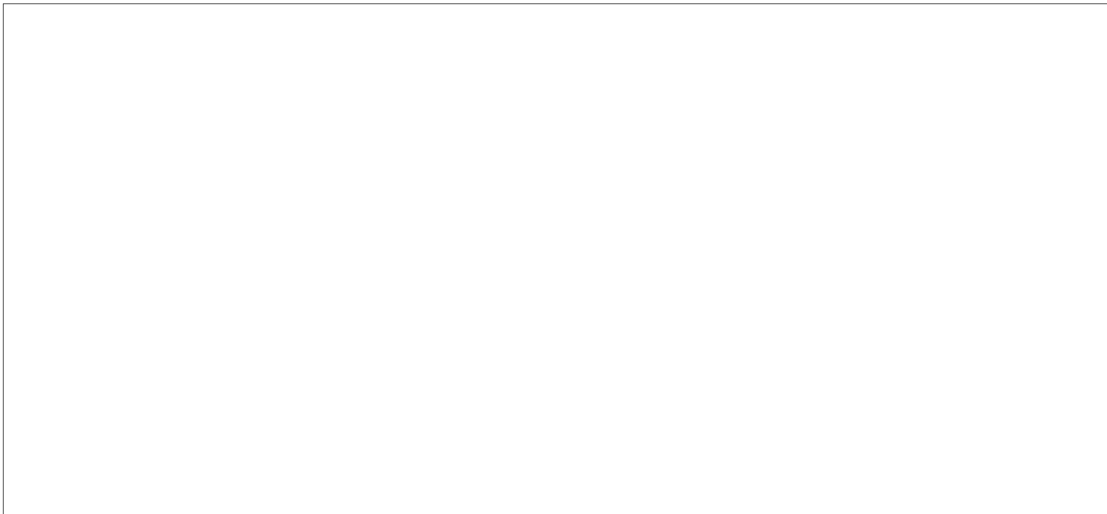
THE ARAB-ISRAELI SITUATION (Information as of 1700, 9 February)

The Israeli minister in Washington told American officials on 6 February that Israel might start work at Banat Yacov on the proposed diversion canal project while making a simultaneous public declaration that it would divert only the quantity of water which would be assigned to it under the Johnston plan. He felt this course would give Israel a strong legal case if it renewed work inside the demilitarized zone. In the same conversation, Israeli ambassador Eban emphasized that Israel had not necessarily indicated it would resume the work on 1 March, the "deadline" given last fall for Arab acceptance of the Johnston plan.

Proposed Diversion Canal



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