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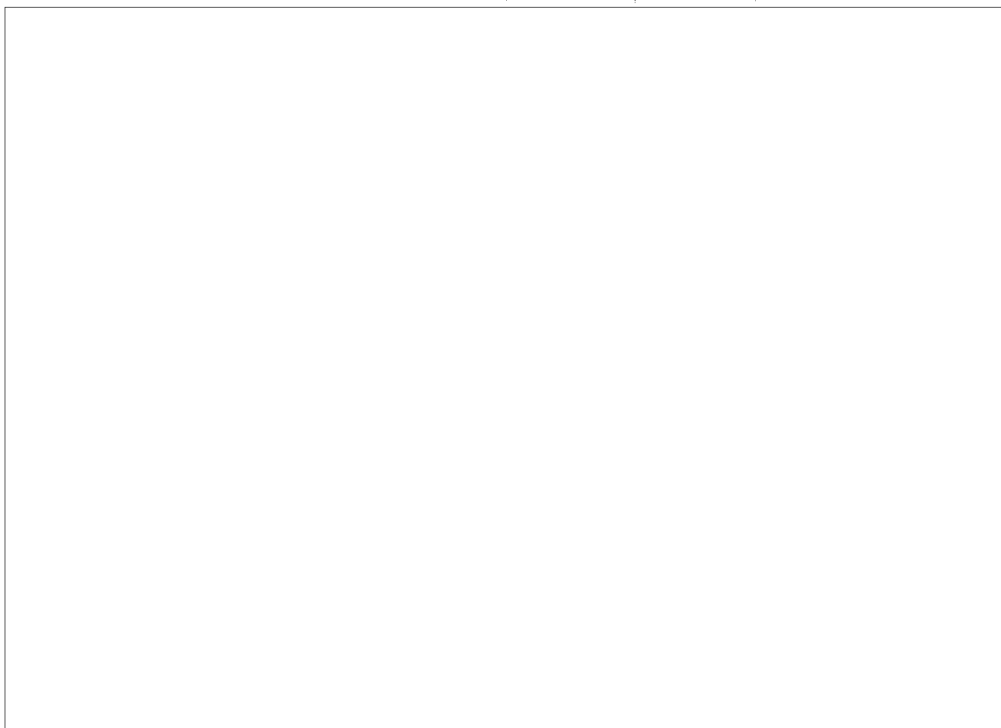


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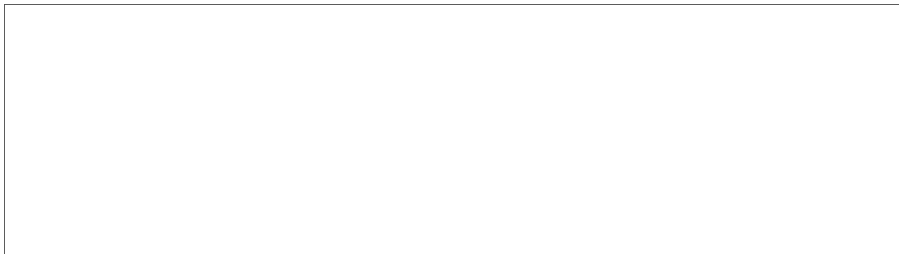
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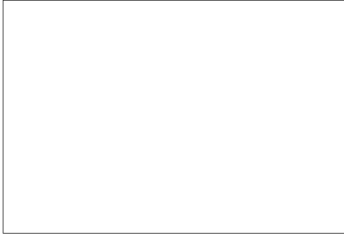
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1. STATE OF SIEGE IN PERU



President Odria's declaration of a nationwide 30-day state of siege reflects what is apparently serious concern of the Peruvian regime over the sudden uprising of the army garrison at Iquitos. Although a government spokesman has stated that with the exception of Iquitos the country was completely quiet, with the government in control, unconfirmed reports suggest that the movement may be spreading.

The rebels' manifesto, demanding the end of Odria's authoritarian regime and full guarantees for the 3 June presidential elections, in effect reiterates the demands made by the political opposition in recent months. Antiregime sentiment among the Peruvian military as well as the general populace has been developing as a result of Odria's refusal to accede to these demands. Developments in the past several months have all pointed to a well-directed plan by Odria to ensure the continuation of his regime in power by installing a hand-picked successor through rigged elections.

General Marcial Merino Pereira, who reportedly initiated the revolt, was a member of the military junta which emerged from the 1948 Arequipa revolution, following which General Odria was elected head of state.

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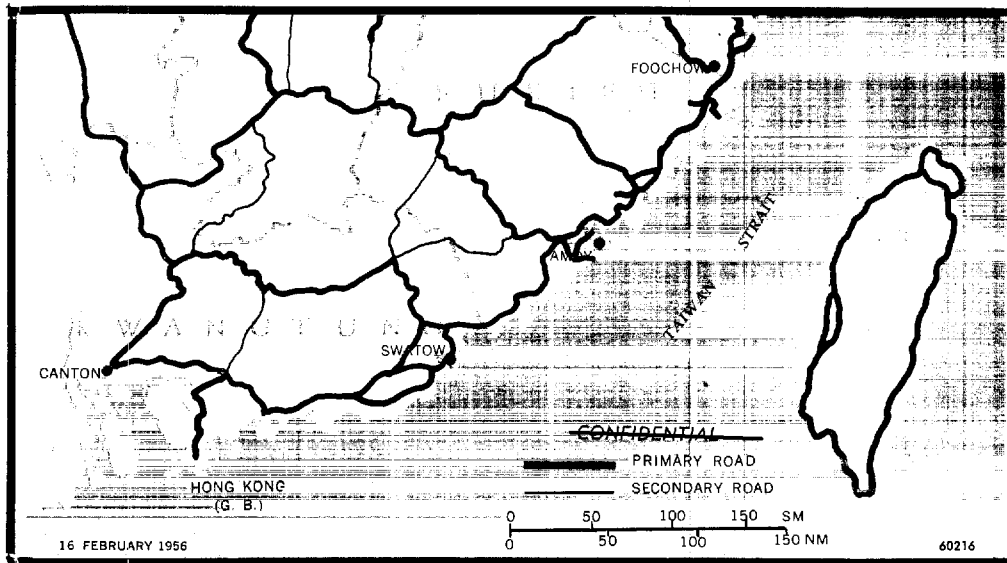
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2. HEAVY COMMUNIST MILITARY MOVEMENT TOWARD TAIWAN STRAITS REPORTED

[redacted] Chinese Communist military truck traffic on the highway between Canton and Swatow, at the southern end of the Taiwan Strait, was "very heavy" during the last 10 days of January, [redacted]

[redacted]

All of this traffic was at night.



[redacted] all inland river boats in the Canton area were ordered assembled for "license inspection" at Canton harbor during the same period. [redacted]

Comment

This information may be related to another [redacted] report that some 60,000 troops arrived in Canton in early January and were [redacted]

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to be deployed to the coastal areas of Kwangtung Province. Air photos taken last year indicated an extensive barracks construction program was under way in the Swatow area. Only one army of about 50,000 troops is currently located in the area.

Other reports have indicated a recent strengthening of Communist ground forces in the area between Foochow and Amoy.


The inspection of boat licenses in Canton seems part of the Communist program for the control of civilian shipping which can be mobilized in time of war.



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3. BULGARIA PLANS TO REQUEST RESUMPTION OF RELATIONS WITH US

 The Bulgarian minister in Paris is seeking an appointment with Ambassador Dillion in order to make a formal request for the reopening of relations with the United States. He told the American counselor that his government was interested in some prior indication of how the demarche would be received.

When reminded that the mistreatment of US legation personnel was an important reason for the rupture of American-Bulgarian relations, the Bulgarian minister said that "those days were past" and that he saw no reason why American diplomats in Sofia would not now be treated as well as any others, including representatives of the USSR.

Comment The Bulgarian request is the latest move by a Soviet bloc country in support of Moscow's efforts to improve relations of the bloc with the United States.

The United States broke relations with Bulgaria in February 1950 following Bulgarian charges that the American minister in Sofia was involved in a plot to overthrow the Bulgarian Communist regime. A few months after Stalin's death, Premier Chervenkov publicly expressed a wish to re-establish full normal relations between his country and the United States, Yugoslavia, and Greece. Subsequently, Sofia took the initiative in restoring normal relations with Yugoslavia and in undertaking negotiations with Greece, but no direct approach was made to the US until this month.

The French minister to Tirana recently told American representatives in Paris that Albania, the only other Satellite not represented in Washington, was exceedingly interested in resuming normal diplomatic relations with the United States. Restrictions on the movement of Western diplomatic personnel in Albania are considerably greater than in Bulgaria.

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4. COMMUNIST CHINA TO CELEBRATE PRODUCTION OF FIRST MOTOR VEHICLE

[REDACTED] The Chinese Communists will have produced their first motor vehicle by August 1956 and intend to make a "great show" of the event, [REDACTED]

[REDACTED] Peiping will send invitations to persons in most countries of Southeast Asia. [REDACTED]

Comment

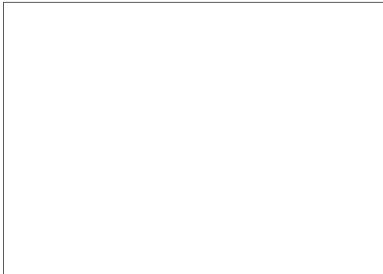
Peiping radio has stated that China's first motor vehicle factory, at Changchun in Manchuria, will be producing vehicles by 1 October 1956, six months ahead of schedule. The plant is scheduled eventually to produce 30,000 Soviet-model four-ton trucks per year.

Peiping could be expected to make a major celebration of the plant's official opening, because it will be one of the first large new machine building plants built under the Communist regime. The construction site at Changchun has been a showplace on official tours given to impress foreign visitors with industrial progress in Communist China.

Such displays may impress many Asians with Peiping's propaganda line that China's rapid development is possible because it is a Communist state that has Soviet support. (Prepared jointly with ORR)

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5. VIET MINH PROPAGANDA THREATENS VIOLENCE ON ELECTION DAY IN SOUTH VIETNAM



Hanoi radio on 10 February broadcast the strongest statement to date in the Viet Minh's propaganda campaign against the national assembly elections scheduled for 4 March in South Vietnam. The broadcast stated that "the Vietnamese people who know how to act will not recognize the faked elections" and will "transform them into a bloody reply to the Americans and their lackeys." The broadcast added that President Diem will undoubtedly win the elections as he did in the "referendum farce."

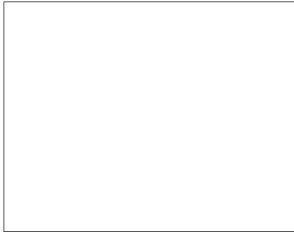
These are the first Viet Minh statements strongly implying violence in connection with the 4 March elections. The Viet Minh had previously condemned the elections in more general terms and called for an election boycott.

It now appears likely that the Viet Minh will attempt to foment extensive disorders to embarrass the Diem government by creating the impression of instability and widespread repression. Since the Viet Minh lacks the capability to prevent the holding of the elections or to force Diem out in the immediate future, such an effort would probably be part of a long-term campaign to get a government in the south that would deal with the Viet Minh.

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6. DEATH OF ITALIAN BUDGET MINISTER VANONI



The sudden death of Italian budget minister Vanoni may revive the conflict on financial policies which nearly caused the government's fall and resulted in the resignation of Treasury Minister Gava late in January. Gava resigned in protest against rising government expenditures and was replaced on an acting basis by Vanoni, who favored an expansionist policy focusing on the ten-year economic development plan which bears his name.

The Vanoni plan, which seeks a heavy reduction in unemployment, Italy's chief economic ill, has been approved by the OEEC in principle and has captured the imagination of the Italian public. It is widely considered the Christian Democratic government's most effective political weapon against the Communists, but the government has been slow in working out its final formulation. Vanoni's death will probably further impede government action on it, particularly if he is succeeded by Gava, as may be the case.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 16 February)

The small selective Israeli call-up of personnel and vehicles reported on 15 February is continuing, but the American army attaché in Tel Aviv believes that it does not indicate an impending large-scale action. This call-up may be connected with a late December statement by a high Israeli officer that divisional maneuvers would be held in the Negev in January or February.

The Egyptian military attache in Damascus has stated that Egypt believes the period from 1 March to 1 June will be the most critical in Arab-Israeli relations, since up to June Israel could mount an attack with some hope of early success. From June on, however, Egypt will be too strong for any attack. The attaché believes Prime Minister Nasr is relying to a large extent on the UN Security Council to force Israel to make some concessions. If this can be done, he believes there is a chance Nasr would openly advocate peace. The attaché also said Egypt's "new weapons" were now all in use. Egyptian pilots are adapting well to the MIG's but are having some trouble with the IL-28's. The attaché was not very enthusiastic about the Soviet T-34 medium tanks, but said the JS-3 heavy tanks were able to knock out any Israeli tank.

The Syrian UN representative told American officials in New York on 15 February that his government was unlikely to press for a Security Council meeting, since Israeli prime minister Ben-Gurion had stated that plans to resume work at Banat Yacov were "shelved."