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GENERAL

- 1. Dutch to reply to Indonesian Premier--Foreign Minister Stikker has informed US Charge Steere at The Hague that he has been able to win Dutch Cabinet agreement for the dispatch of a reply to the 13 December letter of Indonesian Premier Hatta. Stikker had previously told Steere that: (a) he had no confidence in the possibility of reaching any agreement acceptable to the majority of the Dutch people; (b) the situation in Indonesia is deteriorating steadily; (c) there is a real danger of the Dutch Cabinet falling on this issue; and (d) there is much sentiment in the Netherlands for a strong course of action in Indonesia. S-5

US prefers to avoid Security Council debate on Indonesia--The Department of State had advised the US delegation at the UN in Paris that it much prefers the avoidance of Security Council discussion of the Indonesian question at this time.

FAR EAST

- 2. CHINA: Central China Nationalist forces thought defeated--US Embassy Nanking reports that the battle in the Pangfou-Psuehou area is entering its final stage with an early Communist victory assured. The Embassy believes that the Communists possess the capability for crossing the Yangtze in force with little prior preparation and for occupying the Shanghai-Nanking area shortly thereafter. Although the US Military, Naval, and Air Attaches in Nanking concur in the view that Central China Nationalist forces have been defeated, they are of the opinion that a Communist crossing of the Yangtze River may be delayed for an indefinite period as a result of the depletion of Communist supplies. S-5

The Embassy also reports that strong opposition to the National Government exists in South China and that the Government might even face armed opposition in attempting to move to Canton.

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(CIA Comment: CIA concurs with the Service Attaches in believing that all effective Nationalist forces in the Hsuehou-Pangfou area have been successfully contained by the Communists. CIA considers it quite possible that the Communists have temporarily retarded operations, as a consequence of their severe losses, in order to regroup and resupply prior to pressing on Nanking.)

Chiang asks US advice on "stepping down" --US Ambassador Stuart has recently been asked by an emissary of Chiang Kai-shek for advice as to whether Chiang should withdraw from active control of the Government. Stuart replied that US nationals had gained the impression that the great mass of Chinese people desired the retirement of Chiang Kai-shek, whom they regard as the principal obstacle to peace. Stuart also told the emissary that what the people of China want and are willing to support is the dominant factor in the formation of US policy on China.

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