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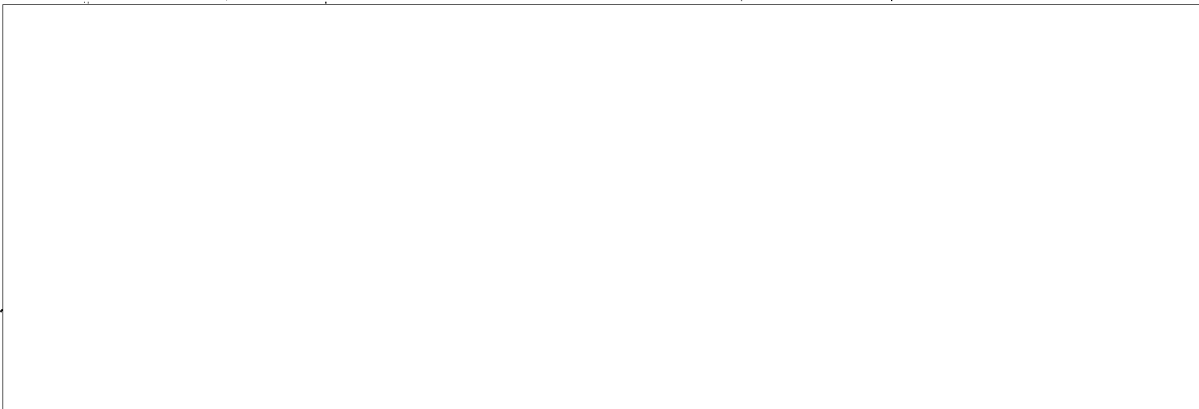
THE SOVIET WORLD Page 3

EASTERN EUROPE PLAGUED BY MANPOWER PROBLEMS Page 5

The failure of the Eastern European Communist regimes to secure the acquiescence of the people to their economic planning is aggravating manpower problems. Evidence has accumulated from their propaganda and legislation that the Communists are making a determined effort to redistribute manpower according to their economic plans. It is, however, apparent that only by the ultimate use of force can they accomplish their aims.

CURRENT STRESSES ON COMMUNIST CHINA'S ECONOMY Page 7

Since the intervention in Korea, China's economy has been subjected to inflationary pressures, and the popular living standard has suffered as a result of high taxes and forced contributions. Overall agricultural and industrial output, however, have not fallen, and Peiping has demonstrated its ability to maintain transport services. There is no evidence that Communist authority will be endangered in the near future by economic collapse. (SEE GRAPHS)



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POLITICAL INSTABILITY HINDERS GREEK CONTRIBUTION TO NATO Page 13

The weakness of the new Greek Government will detract from Greece's ability to undertake NATO commitments. Divergence of views between the leaders of the coalition and the strong opposition which they will face from Marshal Papagos make a new election probable in the near future. Fear of taking unpopular economic decisions will lead the government to delay action on necessary economic reforms.



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WORLD COMMUNISM: ITALIAN COMMUNISTS MAY LOSE SUPPORT OF NENNI SOLIALISTS Page 14

The future course of the Nenni Socialists will be a critical element in the position of the Italian Communist party. Whether or not their gains at the recent municipal elections will spur the Socialists eventually to break away from the Communists is uncertain. Any eventual real split between the Nenni Socialists and the Communists would further US objectives in Italy, because it would weaken the Communist hold over organized labor and would deal a severe blow to the popular prestige of Italian Communism.

SUPPORT OF REARMAMENT INCREASING IN JAPAN Page 16

Public opinion polls indicate that a majority of the Japanese people now support rearmament but desire to postpone it until economic reconstruction is further advanced. Political opposition likewise is diminishing. The implementation of the US-Japan Security Treaty, which will become effective when the Peace Treaty comes into force, is almost certain to strengthen sentiment for rearmament.

SPECIAL ARTICLE: THE EFFECT OF RECENT EVENTS IN THE MIDDLE EAST ON THE WESTERN POSITION IN SOUTH AND SOUTHEAST ASIA . . . Page 18

The recent flare-ups of nationalism in Iran and Egypt have produced no strong reactions in South and Southeast Asia, and are unlikely to affect significantly the relationships of the colonial powers and the Western world with the area. The recognized governments of most of the newly independent countries have already established a state of equilibrium in their relations with the West, and recognize their ultimate economic and military dependence upon Western goodwill and assistance.



THE SOVIET WORLD

Soviet propaganda media went into high gear to capitalize on three important events scheduled over the next week -- the meeting of the World Peace Council in Vienna, the UN General Assembly opening in Paris on 6 November, and the traditional celebration of the Bolshevik Revolution anniversary on 6-7 November.

Two main themes are building to a crescendo: Russia's peaceful desires and Soviet armed strength. To lend credence to the sincerity of the USSR's desire for peace.

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the truce-talks in Korea were renewed with a Communist "compromise" offer for an armistice line. TASS correspondents in Paris and Istanbul even hinted that Stalin might be willing to attend the UN General Assembly. The possibility of high level talks was also developed in Pravda's explanation of Labor's defeat in the British elections as the result of failure to collaborate and negotiate with the USSR.

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In order to avoid the appearance of leading from weakness, however, Soviet propagandists stressed the present and potential military strength of the USSR. A third atomic test in the USSR, large-scale maneuvers of Soviet ground forces in East Germany, and highly increased MIG-15 activity in Korea lent realism to these assertions.

In order to convey a picture of Moscow's interest in peaceful world trade and set the stage for the coming Moscow World Economic Congress, Soviet delegates to the recent UN trade conference in Singapore wooed the Southeast Asians with proposals to barter Soviet finished products for local materials. Pravda's contrast of this offer with Western inability to export certain goods because of rearmament suggests this line will be strongly developed at the Moscow meeting.

In Eastern Europe, new pressure on the Catholic Church in Hungary is foreshadowed by an order of the Roman Catholic Bench of Bishops that every parish submit detailed information on all priests and monks under its jurisdiction. While the government has successfully penetrated and controls the higher echelons of the church, segments of the lower clergy have remained a strong bastion of resistance to the regime and its plans to nationalize the Church. The current census of priests and monks is probably a means to ferret out the recalcitrant ones who will be defrocked and put to work considered "more socially useful."

Hungary and Poland have again admitted important shortcomings in

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their Five and Six Year Plans for the third quarter of 1951. Specific failures were noted in various key industries including coal mining. In both countries the workers were blamed, although officials admit that the food shortage is a basic cause of poor productivity. The Polish Government is making extensive efforts through labor recruitment and the offer of additional bonuses to increase the coal mining force.

In Hungary, where similar inducements are also being offered, there are indications that the government may be considering more repressive measures to speed up production. Premier Rakosi in a speech on 22 October threatened coal miners with coercive action. It may be significant that these threats against the workers come at a time when the Hungarian-born Soviet economist Eugen Varga is again reported to be in Budapest directing Hungarian foreign trade and perhaps other branches of the economy. Varga's visit to Hungary in 1950 coincided with increased Soviet demands on the Hungarian economy and the beginning of a period of austerity for the people.

Czechoslovak commercial attaches to the USSR, Bulgaria, Rumania and Hungary are currently meeting in Prague. The conference was probably called to correct deficiencies in the 1951 foreign trade program of the Czech Five Year Plan and to discuss 1952 Czech trade targets. The meeting may also be intended to prepare foreign trade officials for the annual intra-Orbit talks which normally take place in Moscow near the end of the year.

Recent evidence suggests that the long-awaited trial of Vladimir Clementis, former Czechoslovak Foreign Minister, may be slated for the near future. [redacted] 25X1

[redacted] 25X1
[redacted] Clementis and several 25X1
other prominent party members were arrested last winter and charged with plotting to turn the party back toward cooperation with the Western imperialists.

The stage is being set in Poland for the promulgation of a new constitution. While the other Eastern European countries adopted new constitutions in the earlier stages of their evolution as people's democracies, Poland has continued to operate under a February 1947 decree which adopted portions of the Polish Constitution of 1921 as the legal basis of the government.

EASTERN EUROPE PLAGUED BY MANPOWER PROBLEMS

The failure of the Eastern European Communist regimes to gain popular support for their economic planning is aggravating Satellite manpower problems. Numerically, the male labor supply in the Satellite area would appear to be adequate to meet Communist planning in all sectors of the economy, in addition to the rising demands of the rapidly expanding armed forces. However, the Satellite governments have been unable to secure and maintain an adequate labor supply in vital industries and construction projects. On-the-job performance also falls short of plan requirements.

During the past year, evidence has accumulated in Eastern European propaganda and legislation that the Communists are making a determined effort to increase the industrial labor force by recruiting women and children, raising wages and extending special economic privileges to certain key labor groups, maintaining pressure for collectivization of agriculture, and impeding the further emigration of dissident minorities. Emphasis is also being placed on attempts to improve industrial labor efficiency by the extension of Stakhanovite, piecework and labor-competition programs. The Communists are also devoting marked attention to the training of youth for industrial employment.

Certain significant remedial measures have been adopted by the Satellite governments which point up their failure to secure and maintain an adequate labor force. Rumania and Hungary have in operation special organizations for the direction of manpower. The announced goal of the Rumanian Directorate of Labor is the "recruiting and organized distribution of labor reserves according to the necessities of the national economy." As yet there is no evidence, however, that these groups have coercive powers over the assignment of manpower.

Twenty to forty percent of all Rumanian government administrative employees have been dismissed. Although no specific plans for their re-employment were announced, they doubtless will be forced into industrial employment in order to survive. The Czechoslovak Government in June established a commission to transfer 77,500 administrative employees from economic enterprises and public administration into "productive work" by the end of this year. These workers were permitted a choice of place of employment if they "volunteered" for assignment; otherwise they would be assigned where needed. Special bonuses were offered to volunteers for the coal mines.

Attempts to extend the use of women and children in industry are increasingly evident. In Bulgaria, only women may be employed in "administrative" railroad jobs. Poland has ostentatiously propagandized "protective legislation," while permitting the use of women and children

as laborers in heavy industry and mining. A significant increase in the number of women employed in industry has been decreed in Hungary. Hungary has also designated certain types of work in which only the aged or disabled may be used. In Rumania, the Directorate of Labor has been charged with establishing trade schools to train 45,000 to 55,000 workers "recruited from among young people in towns and vil-lages." The trainees by law may be arbitrarily assigned to places of employment for a four year period.

Piece work payment plans and bonuses for Stakhanovites have been recently adopted in Poland, Hungary and Rumania to induce more and better production. Wage scales have also been readjusted in most Satellites to favor industries which are particularly unattractive, notably coal mines and oil fields.

Communist leaders have admitted that there will be no rapid im-provement in the Satellite economic situation. Falling living standards and rising labor norms are increasing the reluctance of the predominant-ly peasant Satellite peoples to comply with Communist attempts to re-allocate labor for industrial, military and agricultural plans which do not benefit the individual worker and his family.

Polish economic planner Hilary Minc recently intimated that agri-cultural collectivization is the only ultimate Communist solution to the problem of supplying food for the increasing non-food producing urban populations. However, all Communist attempts, short of force, have failed to establish collectivized agriculture in any Satellite. It is similarly apparent that only by force can the Communists bring about the redistribution of enough manpower to meet their planning goals.

CURRENT STRESSES ON COMMUNIST CHINA'S ECONOMY

Intervention in the Korean conflict put new burdens on China's economy, straining its limited rail facilities, testing the Communists' skill in mobilizing food supplies, upsetting plans for industrial development, and threatening the regime's relatively stable fiscal position. The internal stresses on the nation's economy were further aggravated by western sanctions, which effectively reduced China's import of essential industrial supplies.

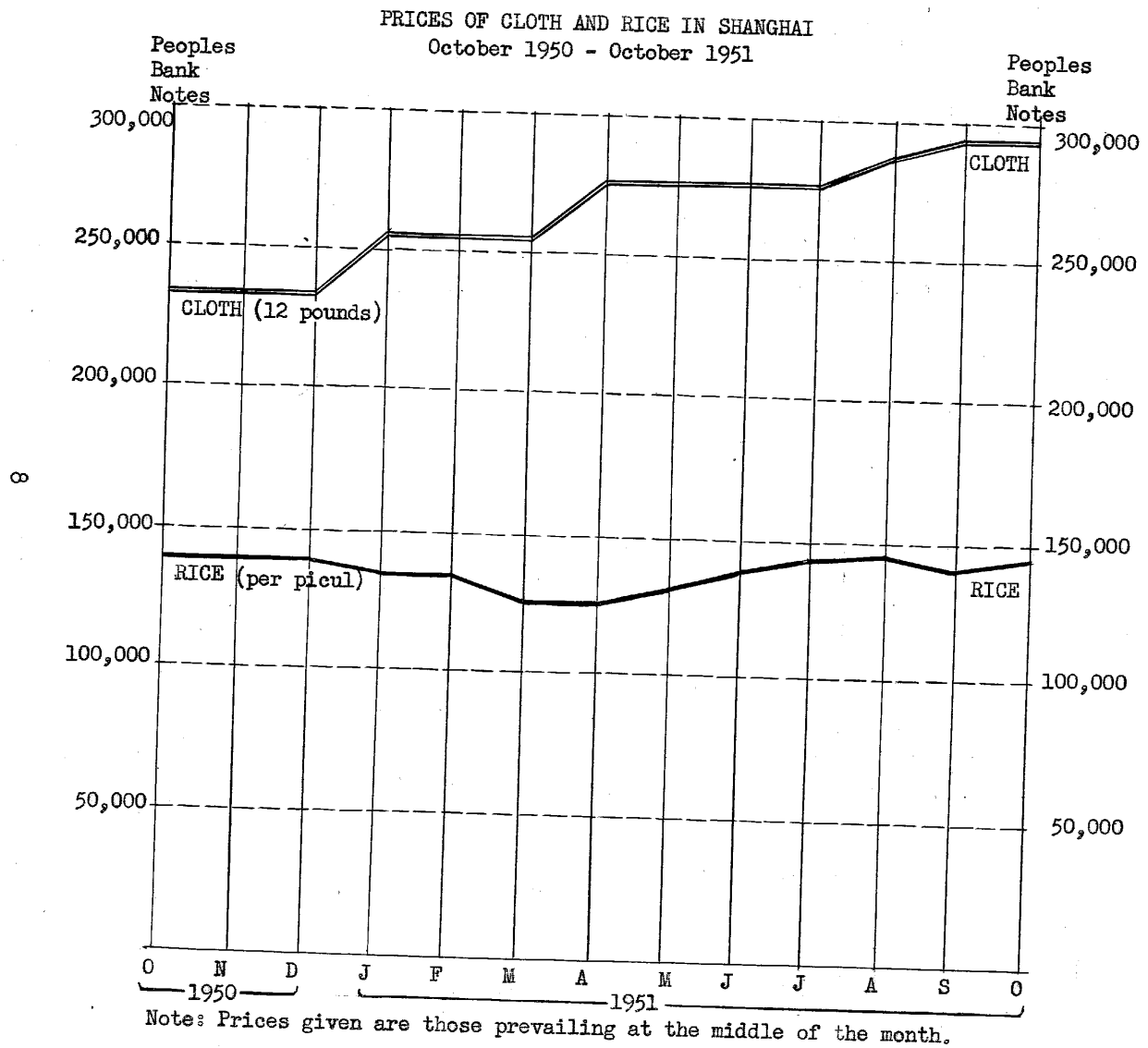
The Chinese Communists, nevertheless, have demonstrated marked vigor in getting the most out of their war-weakened economy, and the new strains do not appear, at the moment, to constitute a serious threat to the authority of the Peiping regime.

China's entry into the Korean conflict in October 1950 immediately raised government expenditures, forced an increased issue of paper money to finance the deficit, and thereby threatened the regime with an inflationary spiral not unlike that which lost public support for the Nationalists during World War II and after V-J Day. The extent of the government deficit is not known, but reports from Nationalist sources, possibly exaggerated, state that Communist expenses are now running more than double receipts.

Despite the strong inflationary pressure, Communist controls have thus far proved fairly effective in maintaining the stability of the currency. (See graph.) Cost-of-living items like food and cotton goods have gone up, but price increases have not been exorbitant. Manufactured goods, particularly imported items, have shown the sharpest price increases. Official rates for foreign exchange have remained stable, although recently black market quotations have placed a considerable discount on the Chinese currency.

In the small but strategically important industrial sector of their economy, the Chinese Communists have been injured by Western export controls which, although frequently evaded, have reduced the overall volume of strategic imports from the West. Moreover, they have forced the Chinese to pay exorbitant prices for the tires, petroleum, and other embargoed items that they can manage to purchase through covert channels.

For two reasons, Western sanctions, although damaging to the Chinese, have failed to put them in jeopardy of complete economic collapse. First, the Chinese have developed alternate sources of supply in the Soviet Orbit. Message intercepts show a large traffic to China from the USSR and Eastern Europe of petroleum products, industrial items, and military supplies.



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Second, the primitive character of the Chinese economic structure, characterized by small agricultural holdings producing for domestic consumption, makes it in large degree independent of commercial developments in the world at large. China's level of prosperity is thus governed more by the size of the food crops than by any other factor. While crop figures for 1951 are not yet available, present indications are that this year's harvests will be at least as good as those in 1950 and better than those in 1949. The proficiency of the Communist regime in mobilizing food supplies is indicated by its ability this year to export over half a million tons of food grains, mainly to India. In the postwar years prior to the Communist victory, China had to import large quantities of rice and wheat.

The Communists have also demonstrated competence in the field of transportation. For several months following Chinese intervention in Korea, communications intelligence disclosed that railroad traffic was frequently disrupted by high priority military shipments. More recently, military interference with commercial traffic has not been so conspicuous. Communist broadcasts indicate that this result was attained in part by reducing certain local services and making other adjustments in the railroad traffic pattern. In addition, river and coastal vessels have carried more freight this year. Message intercepts, for example, show that the Shanghai area, which received nearly 200,000 tons of coal monthly by rail in 1950, now receives most of its coal from Manchuria by sea.

The Communists have apparently been forced to defer some of their ambitious plans for rehabilitation and development of industries, but existing capacity is generally being utilized. A notable exception is the textile industry, which employs about half of all the factory workers in China. Because of the raw cotton shortage, the regime was forced to close cotton mills for six weeks in June and July. Since then, the mills have operated part-time. A large cotton harvest this autumn is expected to permit full-time operations soon.

Although Communist propaganda claims that the purchasing power of the people is going up, there is evidence that the Korean conflict has had a depressing effect on living standards. Incomes of the landlord and capitalist classes have of course suffered as a result of deliberate policy, but the disaffection of these now politically impotent classes does not menace Communist authority. Industrial workers, continually urged to increase productivity, must "volunteer" extra hours of labor and part of their wages for the "Resist America Aid Korea" campaign. The peasants, who bear the brunt of taxation needed to meet increased military expenses, have further suffered because the prices they pay for manufactured goods are running ahead of what they realize on the sale of produce.



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There is no evidence, however, that economic tensions are developing to the point of provoking popular demonstrations against the Communists. Strikes are no longer a feature of the industrial scene; instead all group activity by workers is channeled into expressions of support for the regime. Reports of peasant disturbances in some rural areas are still received but are decreasing in number. Although the burden of military expenditures is draining the purchasing power of individuals, the economy continues fairly stable at its historically low level of productivity. No economic collapse is in sight for the near future.



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POLITICAL INSTABILITY HINDERS GREEK CONTRIBUTION TO NATO

The uncertain future of the new Greek Government will undoubtedly detract from Greece's capability to meet the responsibilities attendant to joining the North Atlantic Treaty Organization. The failure of any one party to gain a majority in the 9 September elections has made a coalition government necessary. When Marshal Papagos, who received a plurality of the votes cast, refused to join a coalition, General Plastiras, leader of the left-center Progressive Union of the Center (EPEK) and recipient of the second largest vote, formed a government with the cooperation of the centrist liberal party of ex-Prime Minister Venizelos.

The divergence of views held between the coalition leaders and the slimness of the coalition's Parliamentary majority suggest that the new government will not last long. Differences between Plastiras and Venizelos on such important issues as the proposed general amnesty law and on economic matters already delayed formation of the government and will undoubtedly further weaken it when the time comes to implement the controversial measures. Plastiras' belief that he can win any new election based on the majority system will mitigate against his cooperating with Venizelos, once the electoral law is amended.

Pressure for new elections also comes from Marshal Papagos' opposition party, the Greek Rally, which holds 114 of the 258 seats in Parliament. There is the possibility that the Rally, quickly put together and based on the hope that Marshal Papagos would win the last elections, may disintegrate. However, the ill-feeling engendered among his followers by the Liberal Government's conduct of the last electoral campaign and Papagos' conviction that he will win any new election held on the majority system will probably hold his party together and increase the pressure for the dissolution of the present government.

The seeming inevitability of new elections and the consequent lack of desire on the part of either the government or the opposition to take any action which might endanger future chances, reduce the possibility of effective government moves toward implementing Greek recovery. Rationing and the other economic measures necessary for building a sound economic structure are unpopular and neither the government nor the opposition will want to be responsible for putting them into effect.

Delay, or even refusal to take action on such unpopular measures, the deleterious influence on army morale of the continued bickering over political interference in the army, and the apparant conviction of the present Prime Minister that more economic rather than military aid should be given Greece will detract from the contribution that Greece can make in the near future to the collective security of the Mediterranean. ✓ e

WORLD COMMUNISM: ITALIAN COMMUNISTS MAY LOSE SUPPORT OF NENNI SOCIALISTS

The future course of the Nenni Socialists will be a critical element in the position of the Italian Communist party. Whether or not their gains at the recent municipal elections will spur the Socialists eventually to split with the Communists is uncertain, but Nenni's adoption of a weaker anti-NATO stand than the Communists has caused much speculation along these lines. Some observers believe that the Communists' control of the Socialist Party's machinery and press will not deter a substantial part of the party from breaking away.

The Nenni Socialists, who since 1944 have worked hand-in-hand with the Communists, were linked with them in an electoral bloc in the 1948 national elections and the 1951 local elections. Besides providing additional votes, alliance with the Nenni group has contributed greatly to the influence of the Communists in local governments, trade union organizations, and the public at large.

Traditionally, the Socialist movement in Italy has represented the interests and aspirations of the working classes, and to many Italian workers and respected public figures, Nenni stands as a symbol of Italian Socialism. Those workers who want to protest against existing economic and social inequities look upon Nenni's party as a suitable alternative to the Communists, whose affiliations with the USSR they view with misgivings. Their preference for the Socialists was demonstrated in the recent local elections, when percentage-wise the Socialists made greater gains than the Communists. It is this popular appeal which the Communists hope to use as a foundation for a popular front in the next national elections, to take over the government.

A number of Nenni Socialists, however, have begun to chafe under their alliance with the Communists. There have been important defections from the party -- the Saragat group in 1947, the Romita group in 1949. These two groups have fused to become an anti-Communist Socialist party. The defection last spring of Giancarlo Matteotti, son of the Socialist martyr murdered by Mussolini, has been interpreted by reliable observers as an indication of serious discontent within the Socialist Party.

Several other important Socialists, such as Basso and Lombardi, although they are still members of the party, continue to voice vigorous opposition to Communist domination of party policies. At the Socialists' national convention last spring, those opposed to alliance with the Communists were dropped from the party directorate. Nenni, himself, has been reported as not in full agreement with Communist world policy as laid down by the Soviet Union and differences of opinion between him and Togliatti on domestic issues have been reported from time to time.

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It has been suggested that the Communists and Socialists might feign a split in order to isolate the government by capturing, for subsequent Communist domination, the anti-Communist Socialists who now constitute a "loyal opposition" that supports the government on major foreign policy issues. However, the fact that the next national elections are only a short time away would give the Socialists very little time for political proselyting. If a split does occur, it will represent a genuine break. In any case, it appears that the Nenni group is not yet ready for such a step.

Any eventual real split between the Nenni Socialists and the Communists would further US objectives in Italy, because it would seriously weaken the Communist hold over organized labor and would deal a severe blow to the popular prestige of Italian Communism.

SUPPORT FOR REARMAMENT INCREASING IN JAPAN

The signing of the Japanese Peace Treaty and the US-Japan Security Treaty has given impetus within Japan to the arguments for and against rearmament. While there is still considerable opposition, based primarily on economic considerations and only secondarily on fears of a revival of militarism, rearmament now appears to be firmly supported in principle by a majority of the Japanese people. The prevailing sentiment, however, is that rearmament should be postponed until economic reconstruction is further advanced.

Prior to the outbreak of hostilities in Korea there was little discussion of rearmament in Japan and practically no overt support for it. Influenced by vivid recollections of wartime hardships, the "war renunciation" clause of the 1947 constitution, which stated that Japan would never maintain armed forces, commanded wide acceptance. Maintenance of strict neutrality, rather than rearmament, was the widely-debated subject.

Two days after the Korean conflict started, a public opinion poll showed that only 14 percent of the respondents favored rearmament. Subsequent polls undertaken by prominent newspapers, while narrow in scope and inconsistent in geographical coverage, nevertheless were sufficiently uniform in result to reflect a gradual abandonment of the hope that Japan could maintain an unarmed neutrality:

<u>Date</u>	<u>Newspaper</u>	<u>In Favor</u>	<u>Opposed</u>
August, 1950	Yomiuri	38.9%	32.7%
September, 1950	Asahi	53.8%	27.6%
March, 1951	Yomiuri	47.3%	23.6%
August, 1951	Yomiuri	50.8%	31.5%
September, 1951	Asahi	71.6%	16 %
September, 1951	Mainicui	76.3%	12.1%

It is significant that the last two polls indicated that approximately two-thirds of those favoring rearmament desired it to be postponed pending further economic rehabilitation. Debate currently is centered on the size, type, timing and cost of defense forces, and what to do about the legal ban imposed by the constitution.

The non-Communist political parties have adopted varying attitudes on the question. Spokesmen of the conservative opposition Democratic Party have been the most vocal advocates of immediate rearmament, although the party officially advocates only the strengthening of "self-defense." The Socialist alone among the major parties has remained uncompromising in

its opposition to rearmament, but a series of electoral reverses and a party split over the peace treaty makes it unlikely that the party can exert significant influence on public opinion in the immediate future. The right wing of the party, which appears to have made an open break from the left, is not opposed to limited rearmament.

The Liberal Party, which seems likely to be in control of the government for some time to come, is in tune with public sentiment. Its leader, Prime Minister Yoshida, has consistently maintained that Japan cannot now accept the economic burden of a full-scale rearmament program, and that present measures must be limited to a strengthening of the police forces. It is possible, as the US Political Adviser in Tokyo suggests, that Yoshida desires a further shift in public opinion before advocating rearmament.

Shortly before the San Francisco conference, Dejean, French Mission Chief in Tokyo, informed the Quaid d'Orsay that Yoshida "fears the return to power of the military caste" and, moreover, "is convinced that Japan does not have the economic and financial resources necessary for a rearmament of some scope." The French diplomat believed, however, that Yoshida is "not aware of the fact that if the Japanese wish to regain an honorable place...and prestige again, they will have to make an effective contribution and not remain a dead weight."

Fragmentary reports indicate that various groups of high-ranking former military officers and nationalist societies are formulating plans for Japan's future defense forces, most of which envision an army of from 12 to 20 divisions, supported by small naval and air force units. These former officers, for the most part, believe that Japan's defense forces should be freshly created, and not developed with the US-trained National Police Reserve as its nucleus.

Implementation of the US-Japan Security Treaty is almost certain to strengthen sentiment for rearmament. The presence of foreign forces, while recognized and accepted as necessary for a time by most Japanese, nevertheless will be an irritant to Japanese national pride. Japanese demands that the nation provide for its own defense will be further strengthened if the post-treaty arrangements for US troops and bases appear to infringe upon Japan's full sovereignty, or fail to present a decided change from the Occupation's present position of privilege.

SPECIAL ARTICLE

THE EFFECTS OF RECENT EVENTS IN THE MIDDLE EAST ON THE WESTERN
POSITION IN SOUTH AND SOUTHEAST ASIA

The recent flare-ups of nationalism in Iran and Egypt have produced no strong reactions in South and Southeast Asia, and are unlikely to have a significant effect on the relationships of the western world with that area.

In much of Southeast Asia, notably in Burma and Indochina, the great threat to these relationships now lies not in nationalism as such, but in Communist-inspired movements, behind which looms the power of Red China and the threat of China's open intervention.

Processes of the sort which culminated in the recent nationalization of Iranian oil and the denunciation of the Anglo-Egyptian Treaty have been at work for many years in South and Southeast Asia. They include Britain's renunciation of imperial authority over India, Ceylon, and Burma, Indonesia's attainment of independence, the struggle in Indochina, and France's concessions to the Vietnamese. The recognized governments of most of the newly-independent countries of the area have already established a state of equilibrium in their relations with their former masters as well as with the West as a whole.

The powerful sentiment which brought about these changes in South and Southeast Asia has led the nations of the area to sympathize with Egypt and Iran. India, under the leadership of Nehru, tends to act as the champion of Asian nationalism, and may be tempted to become especially vocal on behalf of Egyptian and Iranian autonomy and integrity.

Should Britain use force to maintain its position in Egypt, and should a generalized anti-Western sentiment develop to the boiling point in the Near East, most South and Southeast Asian nations would probably speak out forcefully in the UN, and the Western powers might find votes ranged against them. In any case, the Communist press throughout the area can be expected to exploit the imperialist theme, and to include the United States in its attacks because of American support of Britain in Egypt.

While the Western powers may thus be subjected to a certain amount of harassment, there is no evidence that this will lead to serious setbacks in the Western effort to improve relations with the peoples of the area. There are currently no signs in the Asian Commonwealth countries of an increase in anti-Commonwealth sentiment which can be ascribed to the effects of the Iranian and Egyptian actions.

The Vietnamese are preoccupied with local concerns, and their effort to win a status of equality within the French Union is overshadowed by the Communist threat. Burma is similarly threatened, and has only recently

indicated a willingness to accept Asian and Western assistance in case of invasion. Although the Indonesians are now preparing to sever their juridical tie with the Dutch crown, certain recent foreign policy decisions have indicated their growing awareness of the Communist threat and a slight predilection in favor of the West.

In Malaya, the British would probably welcome any stimulus to Malayan nationalism among the indigenous Malaya and the large overseas Chinese population which the Near Eastern situation might provide. Malayan apathy and the absence of a developed nationalist movement gravely handicap British efforts to exterminate the Communist guerrilla army which has terrorized the country for over two years.

From the economic point of view, the welfare of the area as a whole is still largely dependent upon trade with and assistance from Western countries, and nationalist sentiment may be tempered by economic necessity. The Indian reaction to date particularly suggests this conclusion, by demonstrating a recognition of India's dependence on Iranian oil, on Western trade patterns, and on British and Western military and economic assistance. Since similar factors apply for most of the independent countries of the area, they are likely to take great care not to disturb the current status of Western trade and investments.

In Burma, for example, the government's experience with the nationalization of foreign-owned capital has not been altogether satisfactory, and its plans have accordingly been modified. Thus the scheme to nationalize the Burmah Oil Company involves the purchase of a controlling share interest rather than forcible seizure of the company's facilities. In order to make this transaction, Burma has borrowed from Britain a substantial portion of the sterling required.

Indonesian Communists and ultra-nationalists have long pressed for nationalization of all important enterprises, but the elements currently controlling the government, although they assert Indonesia's right and eventual intention to nationalize, have shown no desire to do so in the near future.

The treaties governing the relationships between Indonesia and the Netherlands protect the extensive Dutch investments in the area. Any new agreements arising out of the revisions being prepared by the Indonesians would presumably continue this protection. Indonesia enjoys a favorable balance of trade with the West, and at present appears unlikely to attack the processes which contribute a measure of stability to the otherwise precarious internal political and economic situation.

In Indochina, nationalist sentiment will not be satisfied until local elements secure a much greater share in the control of the country's economy, and until the country is politically independent. Although the French Government realizes that the rigid economic control exercised by metropolitan interests in Indochina must eventually be relaxed, military control of

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the area permits French businessmen to ignore this prospect. Most observers believe that many years of fighting will be necessary before Ho Chi Minh is decisively defeated, hence no early change in the pattern of economic control in Indochina should be expected.

Little change is expected in the military relations between the West and the countries of South and Southeast Asia as the result of the crisis in the Middle East. The area as a whole is dependent upon the West either for defense in case of invasion or for munitions and other assistance. It is believed that local recognition of this dependence will temper whatever impulses are awakened by the apparent successes of Iran and Egypt. In any event, India has already declared its policy of "neutrality" in the struggle between the Eastern and Western power blocs. Pakistan is not in a position to undertake new military commitments as long as the Kashmir situation remains unresolved.

Despite signs of a new realism in Burmese appreciation of its exposed position, the government is still reluctant to accept Western advice and assistance in combatting the deteriorating security situation; but there are no indications that this reluctance will be increased as a result of the Near East crisis. Thailand shows no signs of abandoning its policy of opportunism. There are no indications that the Viet Minh forces in Indochina will be augmented by heavy Vietnamese defections, due to the effect of the Near East crisis, and French resistance to the Communist threat will continue.

The peoples of South and Southeast Asia do not respond in stereotyped anti-imperialist fashion. Though nationalism remains a potent and volatile force throughout the area, anti-Western emotions have been noticeably tempered wherever native authorities for even a few years have held the responsibilities of government. While the present governments remain in control, there will exist a basis for stronger bonds with the West.