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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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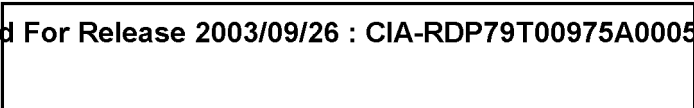
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SUMMARY

FAR EAST

1. Satisfactory settlement of Dutch-Indonesian problems appears difficult (page 3).



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WESTERN EUROPE

5. West German ratification of Schuman Plan seen (page 6).
6. West Germans may reduce demands for equal status in arms production (page 6).

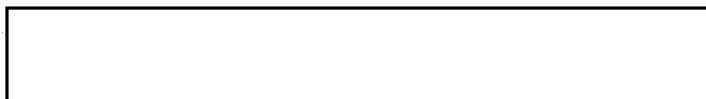
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FAR EAST

1. Satisfactory settlement of Dutch-Indonesian problems appears difficult:

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The co-chairman of the Netherlands delegation to the Dutch-Indonesian talks at The Hague has stated that the atmosphere is less favorable than it

was last week, when he considered it possible to "find a satisfactory basis for discussions." He told the chairman of the Indonesian delegation that the Dutch would find it difficult to continue formal negotiations if there are more incidents such as the recent seizure in Java of arms on a Dutch ship destined for West New Guinea and the temporary arrest of Dutch nationals and Indonesian employees of the shipping company.

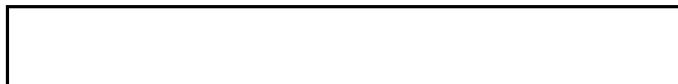
Negotiations are temporarily stalemated pending the formal Dutch reply to the Indonesian note requesting that New Guinea also be included on the conference's agenda.

Comment: Dutch-Indonesian relations are now being discussed informally at The Hague, and negotiations are expected to be finished by the end of January. Indonesia is insisting that it be given sovereignty over West New Guinea, but there is as yet no indication of a change in the Dutch policy to retain interim control over the area. The Dutch will be extremely reluctant to grant Indonesia's financial and economic demands.

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WESTERN EUROPE

5. West German ratification of Schuman Plan seen:

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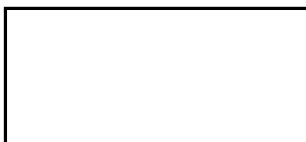
Local officials feel that ratification of the Schuman Plan by the West German Bundestag is now "virtually ensured by a considerable margin."

Approval of the Plan by the Foreign Affairs Committee on 18 December has cleared the way for final parliamentary action early next month.

Comment: The action of the committee followed a rebuff to the Chancellor from the Lower House on the issue last week. A steering committee, aroused at the Chancellor's high-handed attempts to force consideration of the Plan before Christmas, voted to postpone floor debate until after the Christmas recess. This committee vote had, according to local US representatives, the "somewhat sheepish concurrence" of members of the government coalition, who broke ranks after a member of Adenauer's party supported the opposition's plan to postpone consideration.

6. West Germans may reduce demands for equal status in arms production:

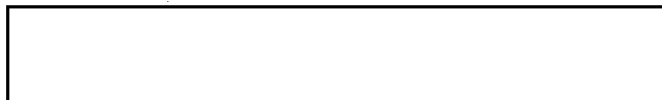
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In discussing German security controls with the US High Commissioner, Chancellor Adenauer stated that he still wants all German arms production re-

gulated by the European Defense Community, since this arrangement precludes discrimination against West Germany. The US High Commissioner proposed, however, that the Federal Republic enact legislation prohibiting the manufacture of atomic, biological and chemical weapons, guided missiles, airplanes and certain naval craft, with all other German arms production being exclusively controlled by the European Defense Community.

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Adenauer reacted favorably to this by indicating that if other Community nations persisted in rejecting his view, he would consider the proposal, provided that German scientists be permitted to participate in atomic research in other countries, and that the aircraft restriction be withdrawn.

The US High Commissioner feels that these two conditions are reasonable in the light of the German political situation and that Adenauer will negotiate on this basis.

Comment: The current negotiations over German arms restriction have bogged down on French demands for stringent controls of German arms manufacture. The American proposal could break this deadlock since it may offer French negotiators enough restrictions to placate public opinion.

The French are particularly concerned about the revival of a German heavy weapons industry. American officials in Germany would like to see such a revival, with some restrictions, because they feel full use must be made of German industry if Europe is to be adequately rearmed. Since under this proposal the European Defense Community would control all German arms manufacture, that body might later work out a compromise between these two positions.

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