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GENERAL**1. Comment on obstacles to extension of strategic trade controls:**

Recent reports indicate that although some progress is being made in extending the coverage of COCOM Lists I and II, the more comprehensive US proposals to tighten strategic trade controls are not likely to be accepted. Consequently a large volume of strategic materials will continue to reach the Soviet Orbit.

In fact, as pointed out by the US Ambassador to Sweden, Western European countries are likely to press for an easing of strategic trade controls as a result of the shift from a sellers' to a buyers' market in international trade and the less favorable bargaining position in which the United States finds itself as it reduces aid funds. The two neutrals, Sweden and Switzerland, whose controls somewhat parallel those of COCOM, are also strongly resisting US pressure for an expansion of the scope of their controls.

The most serious defects in the trade control program, such as the lack of a uniform program of controls over transit shipments, free ports, financial transactions, shipping, and bunkering, will therefore remain uncorrected for the present.

2. Pakistan to discuss MEDO with Egypt:

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The Pakistani Defense Secretary has informed the American Embassy in Karachi that his government has invited an Egyptian military mission to Karachi to discuss MEDO. During the discussions, Pakistan intends to point out the desirability of Egyptian participation.

According to the Defense Secretary, the talks are scheduled for early February. A 25 January Cairo

radio broadcast in Arabic stated, however, that the Egyptian mission would leave for Pakistan early in March.

Comment: Pakistan's active promotion of MEDO at this time is probably motivated by the urgent necessity for its government to demonstrate some concrete signs of strength to counteract internal weaknesses.



FAR EAST

3. Possible merger of Japanese Liberal and Progressive Parties seen:

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Foreign Minister Okazaki told Ambassador Murphy on 25 January that preliminary conversations are under way to merge the Liberal and Progressive

Parties before the spring elections. He stated that the negotiations are especially delicate since they involve dropping from party membership "disaffected or unwanted" Liberals and left-wing Progressives.

He said this strategy appeared safer than to try to form a Liberal-Progressive coalition government. He doubts that the Liberals alone would return even a slender majority.

Comment: Strong pressures exist in both parties for purging dissidents and uniting Japanese conservative forces into a single strong party to restore parliamentary stability.

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4. Chiang Kai-shek reported strongly opposed to using Nationalist troops in Korea:

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The Japanese Ambassador to Nationalist China, now in Tokyo for consultation, states that Chiang Kai-shek's government is "ardently opposed" to using Nationalist troops in Korea.

Comment: Chiang has stated privately on several occasions in recent months that he would be willing to contribute troops to UN forces in Korea under certain conditions, but would prefer to preserve them for an eventual operation against the China mainland.

SOUTHEAST ASIA

5. Indonesia may order bunkering of Polish vessel:

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The Indonesian Government may order the Shell Oil Company in Djakarta to bunker the Polish vessel Pulaski which has been in the port for several days.

The company has refused the ship's request for fuel on orders from the British Government which believes that the vessel may be carrying strategic goods. The British are uncertain of their ability to maintain their position if the Indonesian Government forces the issue.

Comment: In conformance with its policy of neutrality, Indonesia will probably insist that the Pulaski be supplied fuel by Shell or some other foreign oil company in Djakarta.

SOUTH ASIA

6. Comment on shifts in Afghan Cabinet:

The shifts in Afghan cabinet personnel approved by the King and announced by the Afghan press on 26

January indicate in every case that Prime Minister Shah Mahmoud's conservative faction in the government is being strengthened at the expense of Prince Daud's less temperate followers who are the strongest proponents of an independent Pushtoonistan.

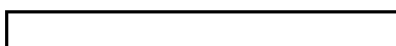
The cabinet moves may therefore result from an Afghan Government decision to soften its campaign for an independent tribal area between Afghanistan and Pakistan.

EASTERN EUROPE

7. Hungarian Minister of Justice reported under arrest:

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 has reported to the United States Legation in Budapest the arrest of the Hungarian Minister of Justice, Gyula Decsi. Before his appointment to the Justice Ministry, Decsi, who is of Jewish origin, was the security police officer in charge of interrogation and reportedly headed the squad that arrested Cardinal Mindszenty.

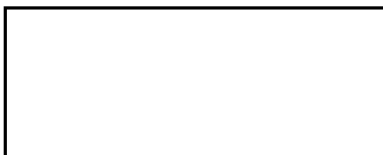
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Comment: This is the first reliable report of the arrest of a high government official in Hungary. Rumors that Gabor Peter, chief of the security police, and Sandor Nogradi, chief deputy Minister of Defense, have been arrested remain unconfirmed.

WESTERN EUROPE

8. Report of concession may hurt American position on Austrian treaty:

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The American Embassy in Vienna reports indications that Foreign Minister Gruber may have been the "authoritative source"

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for a local paper's report that the West is prepared now to drop the abbreviated treaty proposal. Gruber may have authorized the story in an effort to encourage the Russians to attend the meeting of Austrian treaty deputies scheduled for 30 January.

Comment: The Austrian Government would consider any resumption of negotiations on the treaty prior to the February elections a very favorable development.

Soviet acceptance of this newspaper story as representative of official Austrian views could embarrass the United States in its efforts to support the short treaty draft.

9. Pleven reassures United States on blocked military funds:

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 French Defense Minister Pleven has advised the American Embassy in Paris that the government's action in blocking until 1 April \$100,000,000 of the \$4,057,000,000 military budget for 1953 will retard arms production and infrastructure projects, but will not affect troop strength, support of NATO, or the Indochina effort. Pleven further specified that this step is distinct from the budget law's "conditional" section, which provides for \$125,000,000 of additional military expenditures in the event France receives an equivalent supplementary commitment of American aid.

Comment: This information serves to correct earlier press reports that release of the \$100,000,000 of blocked funds depended on receipt of additional American aid.