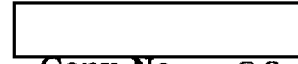


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30 November 1954

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FAR EAST

1. New Japanese political party leader pledges co-operation with US:

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Sinsuke Kishi, secretary general of Japan's new Democratic Party, told an American embassy officer on 25 November that his party would apply about the same economic

and political qualifications as Yoshida has applied to establishment of relations with Communist China or the USSR. Although the new party leaders believe greater trade with the China mainland is possible, Kishi said they will not sacrifice their present trade with the Chinese Nationalists for possible trade with the Chinese Communists.

Kishi stated that the Democrats will propose that the 1946 constitution be completely rewritten and will push rearmament and anti-Communist legislation more vigorously than Yoshida. The secretary general maintained, however, that all of his party's policies were subordinate to United States-Japanese co-operation, which would have to be the foundation for all Japanese policies in the future.

Comment: Kishi, the real power behind the new party, has not expressed pro-American sentiment, but for the present favors Japanese co-operation with the United States. If the Democrats do come to power, they will have to take into consideration the increasing popular feeling in Japan for closer ties with the Orbit, particularly Communist China.

2. Comment on passage of South Korean constitutional amendments:

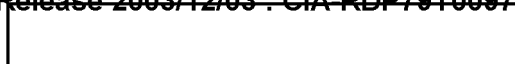
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The amendments to the South Korean constitution passed in the legislature on 27 November further consolidate President Rhee's supremacy over the National

Assembly, substantially increase his independence in the conduct of foreign policy and may add to the political instability in the country by stimulating covert opposition to the present regime.

Technically the amendment lacked a fraction of one vote of the two thirds necessary for passage, but the administration ruled that the fraction would be disregarded.



The new clauses permit popular referenda on issues affecting "national sovereignty and territorial changes," exempt Rhee from the ban on a third term, abolish the prime minister's office and the system of cabinet responsibility, and permit the vice president to fill out an unexpired term of a president.

Opposition leaders consider that the referendum amendment is the most dangerous, fearing that it will be used by Rhee to manufacture a "people's will" movement which will actually suppress popular desires and permit the president to by-pass the legislature. It will further enhance Seoul's ability to block any UN efforts at unification unacceptable to South Korea.

While the provisions for presidential succession are ostensibly clarified, the government's highhanded interpretation of the assembly's vote may increase the confusion anticipated at Rhee's death, as opposition leaders may seek to nullify the changes on the grounds the amendments were adopted illegally.

3. Peiping allocates large sums for dike repairs:

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The Chinese Communist Ministry of Water Conservancy has earmarked the equivalent of \$84,495,000 to repair dikes in flood-stricken areas, mostly in Central China, according to the Peiping People's Daily on 12 November. The work involves an estimated 15,000 miles of dikes and 300,000,000 cubic meters of earthwork. The American consul general in Hong Kong believes that flood expenses will prove an important dislocating factor in Communist China's 1954 budget.

Comment: Peiping has also admitted that flood relief funds have totaled about \$64,000,000. Total flood costs, including damage to crops and houses, will probably exceed one billion dollars.

The inability to plant winter crops in undrained areas will cause a loss of from 2,000,000 to 2,500,000 tons in the crops to be harvested next June.

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SOUTH ASIA

4. Indian government rejects privately owned steel plant financed by Britain:

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The Indian government announced on 26 November that it had rejected the proposal of B. M. Birla, Indian industrialist, to build a privately owned steel plant

with British financing. The government stated, however, that the British offer would be considered only on the basis of a state-owned plant.



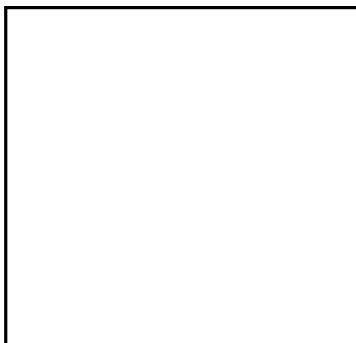
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Comment: The rejection of the British offer as a private venture does not imply that the recent Soviet offer to construct a 300,000-ton annual capacity steel mill in India will be accepted. It does suggest that Nehru, despite his recent public statements on India's need for rapid industrialization, feels under no compulsion to move quickly on this issue which involves his own political and economic philosophy.

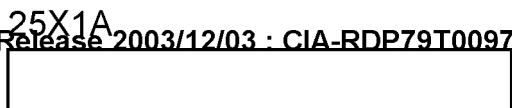
NEAR EAST - AFRICA

5. Comment on new Syrian broadcasts to North African nationalists:

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Radio Damascus has begun inflammatory broadcasts to nationalists in Algeria, Tunisia and Morocco. These programs will probably provoke a protest from France, which has blamed radio propaganda emanating from Cairo and Budapest for much of the unrest in North Africa.



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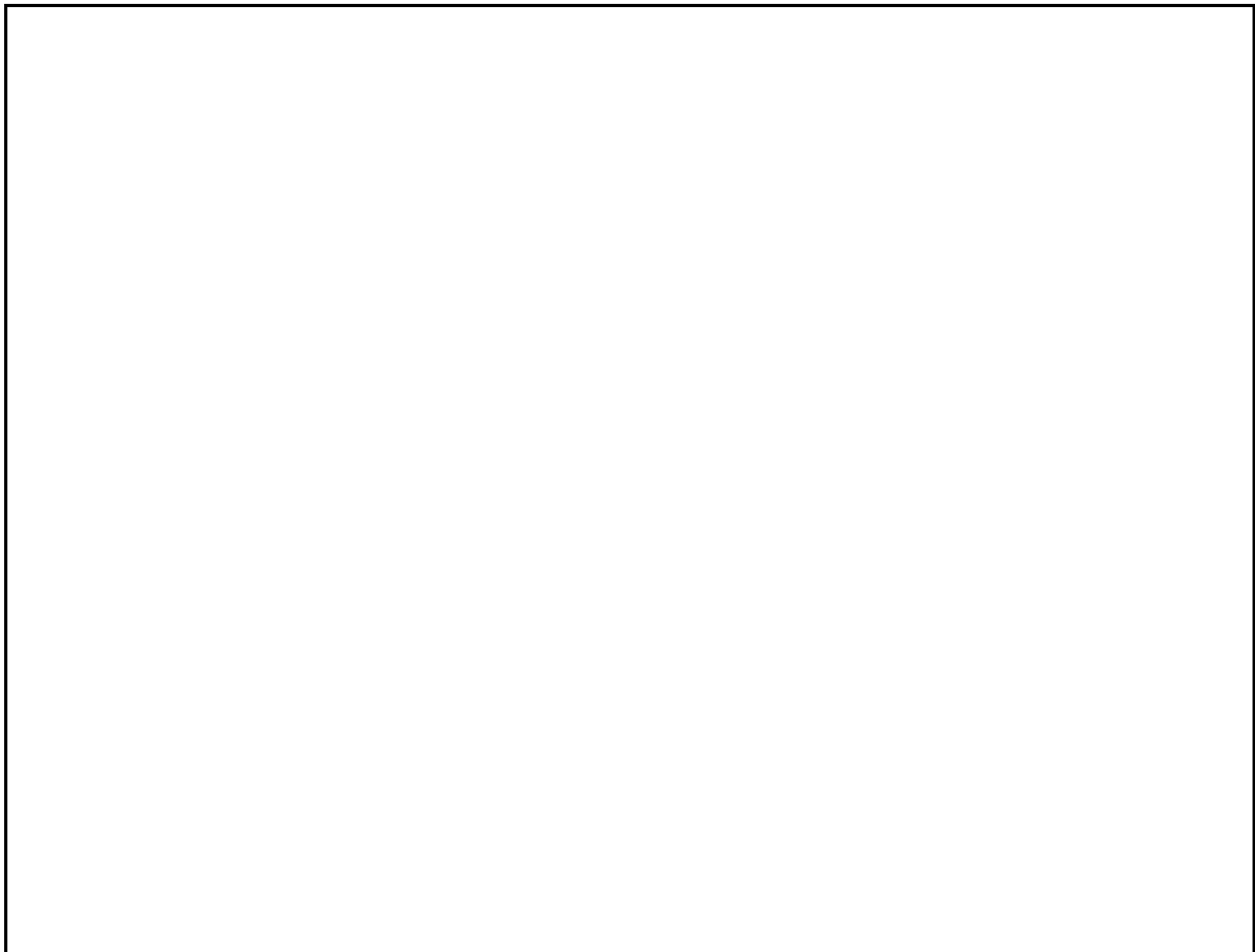
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Radio Damascus, which follows Cairo in espousing the cause of the North Africans against the French "forces of imperialism,"

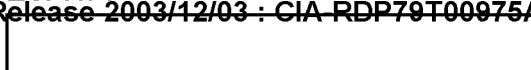
generally reflects local press and parliamentary opinion. The Syrian parliament, goaded by a strong leftist minority, on 11 November passed a resolution of protest and authorized discussion with other Arab states of a diplomatic, economic, and cultural boycott of France.

The Syrian government, a weak coalition, is capable of following only a strong Arab nationalist line. It is therefore less susceptible to Western influence than the Egyptian government, which has promised that Radio Cairo will taper off on the North African question.

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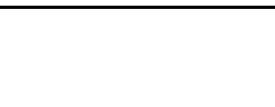


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WESTERN EUROPE

7. Comment on results of West German state elections:

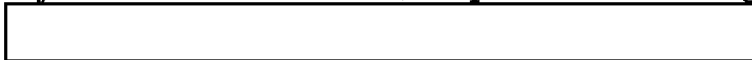
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The results of the 28 November state elections in Bavaria and Hesse strengthen Chancellor Adenauer's domestic political position and the prospects for West German ratification of the Paris agreements. The Christian Democrats have established a clearly dominant position in Bavaria, and have sufficiently improved their standing in Hesse to raise the possibility of replacing the Social Democratic government there with a coalition.

Domestic issues played a large part in the balloting, but it seems clear that the Social Democrats and some of Adenauer's coalition partners failed in their concerted effort to administer a sharp rebuke to his policy on the Saar. In particular, the coalition Free Democratic Party, which has been especially vocal in its opposition to the Saar agreement, lost heavily in Hesse and failed to improve its standing in Bavaria.

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8. Paris makes conciliatory gesture toward Franco:

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The new French ambassador to Spain has been instructed to tell General Franco that France will not object if Spain desires to join NATO or otherwise "become more closely associated in the arrangements for Western European defense," according to the counselor of the French embassy in Madrid. The counselor, who commented to the American embassy that this was "a very important step for Mendes-France to take," said he hoped this would convince Spaniards of the sincerity of France's desire for improved relations.

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Comment: The timing of this move suggests that Mendes-France may be trying to stem the anti-French agitation in French North Africa emanating from Spanish Morocco.

Spain has expressed a desire for closer association with Western defense arrangements, but is much more interested in settling outstanding French-Spanish differences.

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