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FAR EAST

1. Japanese plan cut in defense expenditures next year:

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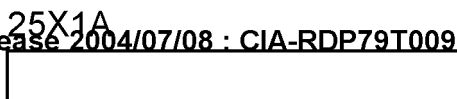
Japan's fiscal 1955-56 budget now being drafted does not allow for any expansion of Japan's "self-defense" ground forces nor does it make any provision for an increase of aircraft and ships, according to Ambassador Allison in Tokyo. Moreover, the Japanese expect a substantial cut in their contributions toward the maintenance of American forces in Japan.

Comment: The present attitude of the Japan Democrats suggests that despite their intense criticism of Yoshida's slow rearmament policy, they will follow substantially the same pattern, emphasizing that Japan's economic build-up is paramount to an increased defense force.

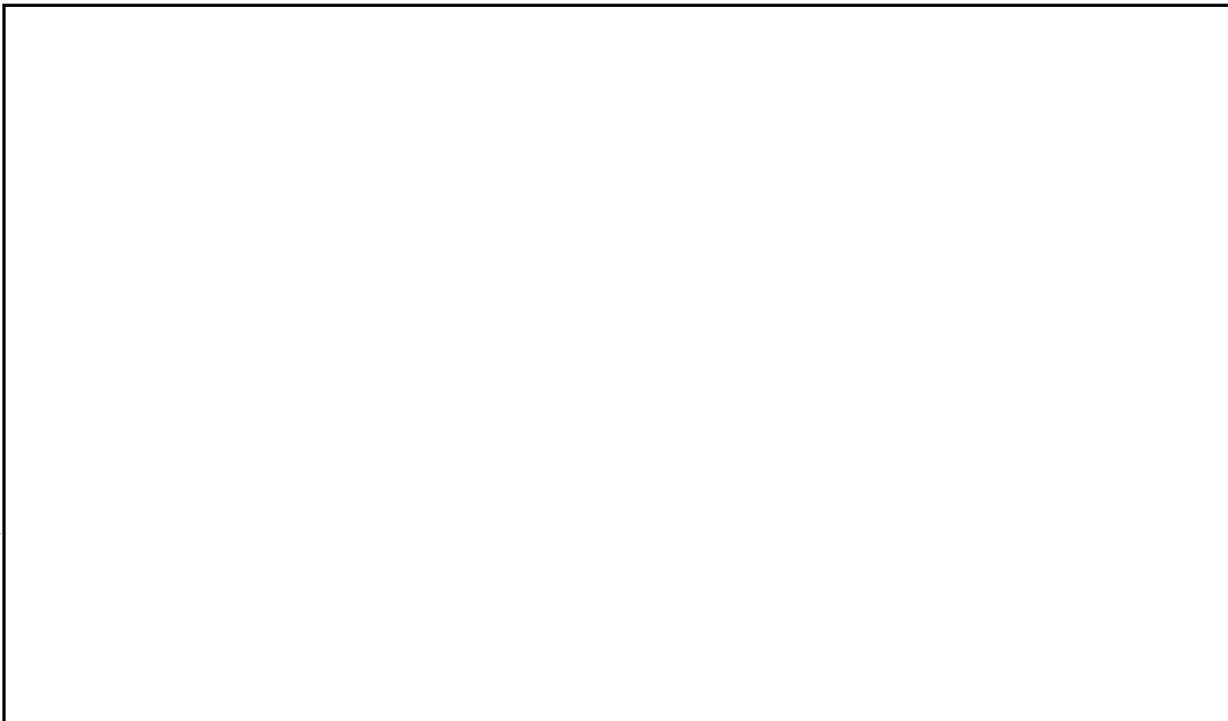
The Hatoyama government has taken the position that the constitution does not deny Japan the right to maintain forces for self-defense. The government hopes to revise the constitution, however, to avoid "misunderstandings." For both economic and political reasons, Japan is not likely to make significant strides toward assuming its own defense responsibilities until faced with the prospect of American redeployment.

Japan's ground forces comprise six divisions totaling 112,000 men. Its navy has a personnel strength of 10,000, comprising 18 frigates and 160 smaller craft, while the newly organized air force has only a few trainer planes.

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3. Indonesian vice president notes vigorous leadership of Communist and National Parties:

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Vice President Hatta still expresses confidence in the return to power next year of the Masjumi, the moderate opposition party with which his sympathies lie. He is frankly worried, however, about the weakness of Masjumi leadership in contrast to the vigorous leadership and skill of the National Party, which heads the present government, and of the Indonesian Communists.

He thinks that recent reports of numerical gains by the Indonesian Communists are "grossly exaggerated." He believes, and Ambassador Cumming agrees, that the greatest dangers from Communism in Indonesia are the continued infiltration of intellectual circles, and repeated compromises by the National Party to retain Communist support.

Comment: The Masjumi is believed to be the largest political organization in Indonesia. Its organization



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and strength rest largely on its hold on the Moslem priesthood, which in turn influences much of the population.

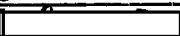
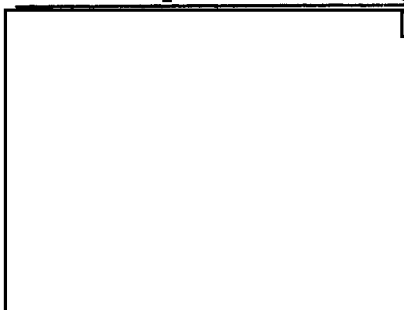
Masjumi leaders, however, have done little to activate this potentially great strength, apparently confident that an eleventh-hour campaign will be sufficient to turn out the vote. Meanwhile, the Nationalists and Communists are making inroads among nominal Moslems and, if Indonesia's first elections are delayed beyond 1955, their chances for continued domination of the government will be greatly improved.

SOUTH ASIA

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4. Nehru reported warming toward Afro-Asian conference project:

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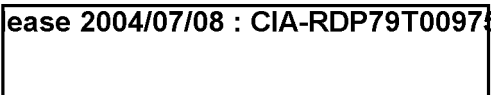
Prime Minister Nehru has now warmed considerably toward the Indonesian proposal for an Afro-Asian conference, which will be considered at the Djakarta meeting of the Colombo powers on 28 to 30 December. Secretary General Pillai of the Indian Foreign Ministry told American chargé Kennedy on 21 December that

Nehru is seeking some formula on which to base invitations to the meeting. Pillai stated that if this formula were to be "all Asia," then Communist China and Japan would be included.

Invitations to Peiping and Tokyo are also favored by Krishna Menon, Nehru's foreign policy adviser, according to the British deputy high commissioner in New Delhi. A New Delhi press report of 21 December added Australia and New Zealand to the list of possible invitees whose presence would balance that of Peiping.

Comment: These reports indicate a marked change, possibly brought about by Menon, in Nehru's hitherto cool attitude toward the vague Afro-Asian conference project. Menon and Nehru may now see in the conference an opportunity to draw both Peiping and Tokyo away from the white man's power blocs to which they now adhere.

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A bid to Japan, as well as to Australia and New Zealand, might also serve to weaken any opposition by other sponsoring Colombo powers to an invitation to Peiping.

5. Comment on future form of government in Pakistan:

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Interior Minister Mirza gave Ambassador Hildreth information on 19 December on the future form of government in Pakistan which indicates that the present ruling group has no intention of relinquishing control for at least two more years.

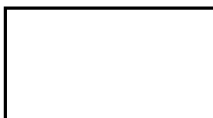
According to Mirza, plans are under way to call a hand-picked constitutional convention in January which will "present" a constitution to Pakistan and maintain the present regime in office. Hildreth infers that the convention would then immediately dissolve and that the present cabinet would rule without a legislature for two years before general elections take place.

Following national elections, Mirza foresees a government of presidential rather than cabinet type, with strong emphasis on the powers of the executive branch, which will not be responsible to the legislature.

The type of thinking displayed by Mirza confirms other indications that the ruling group will make little effort during the next few years to build a sound grass-roots political party system in Pakistan but will continue, and possibly widen, the gap between government and people in its efforts to maintain discipline and stability within the country.

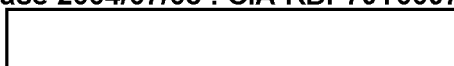
6. Pakistani Moslem League dissidents enlist pro-Communist legal aid:

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The British lawyer D. N. Pritt began argument before a Pakistani court on 21 December in support of a petition challenging the legality of Governor General Ghulam Mohammad's

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dismissal of the assembly on 24 October. The petition was filed by the former president of the Pakistani Constituent Assembly. The assembly was dismissed following the attempt on 21 September by dissident Moslem League members in the assembly to strip the governor general of his powers.

Comment: The appearance in this case of Pritt, known internationally as a pro-Communist lawyer, suggests that the defeated Moslem League dissidents are now willing to enlist Communist support in seeking revenge. The Communists may therefore for the first time in Pakistan's history be able to capitalize on the intimate knowledge of government operations provided by a former prime minister and several ministers and parliamentarians.

Pritt, who received a Stalin Peace Prize on 21 December 1954, defended Indian Communists on trial in 1950. He helped to defend Kenya Mau Mau leader Jomo Kenyatta in 1952. In November 1954 he defended the pro-Communist Ceylonese publication Trine in a case involving alleged defamation of Governor General Goonetilleke. [REDACTED]

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LATIN AMERICA

7. Attempt to oust Costa Rican president would probably be supported by Guatemala and Nicaragua:

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The American embassy in Guatemala cited on 22 December several developments which "strongly suggest" that the Castillo Armas government is materially supporting a move to oust Costa Rican president Figueres.

An F-47 aircraft, stripped of its Guatemalan air force markings, left Guatemala on 15 December, probably for an airfield in eastern Nicaragua. Guatemalan officials, including the president, were evasive when queried about the plane and when urged

not to become involved in Costa Rican affairs. [redacted]

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Comment: Aircraft, even one or two, could be a decisive factor in the long-rumored attempt against Figueres. [redacted]

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8. Comment on Chilean dispute over state of siege:

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President Ibanez' decision to continue the state of siege in Chile, despite congressional rejection of his declaration of 20 September, will probably increase tension in Chile and encourage fears that the president intends to disband Congress and rule by decree. Ibanez is still in control of the situation, however.

The Chilean Senate rejected the president's declaration on 22 December, following similar action by the Chamber of Deputies. The interior minister has declared that the issue will go to the courts and that the government will abide by their decision.

Earlier it had appeared that Ibanez would accept congressional rejection of the state of siege and would request extraordinary powers specifically to combat Communism--the principal announced purpose of the siege declaration. It is doubtful that the government would consider it safe to abide by a court decision depriving it at any early date of the powers to deal with the problem of Communist influence on organized labor in the copper mines and other industries. [redacted]

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