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FAR EAST

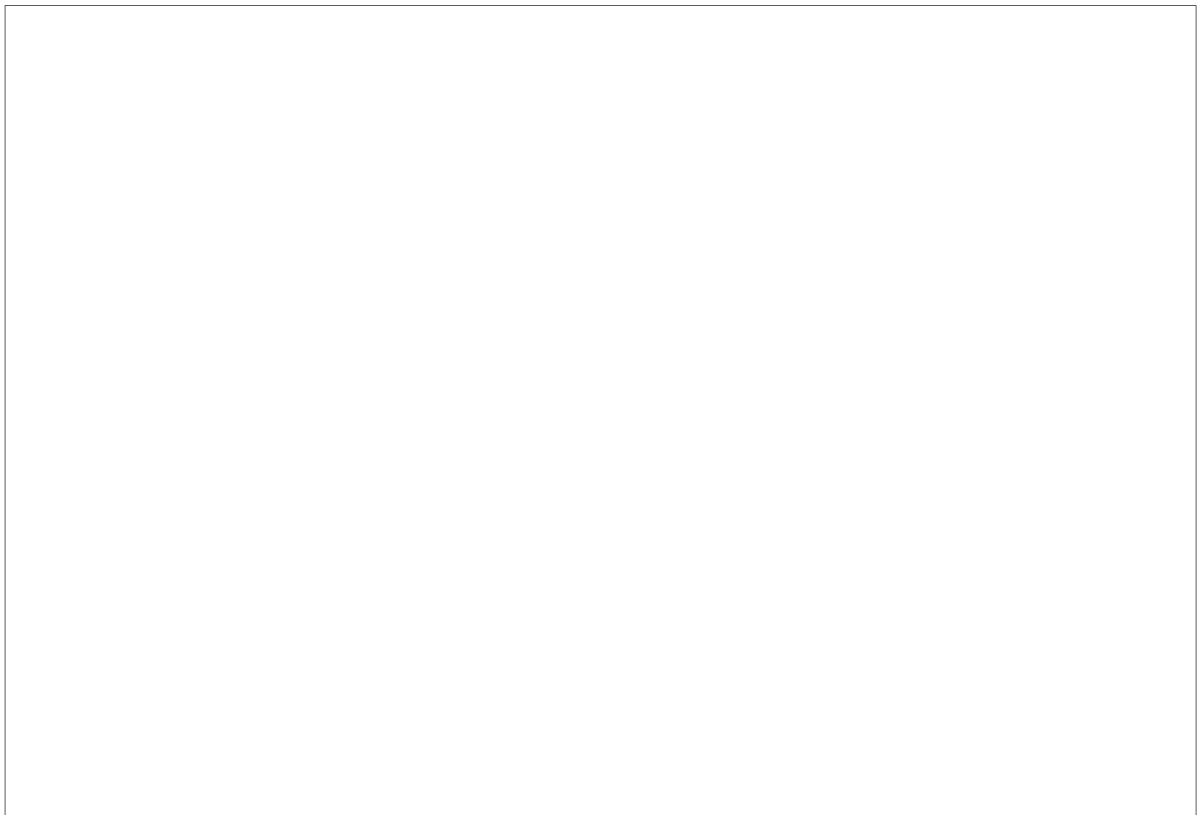
1. Japan proposes defense budget cuts:

[REDACTED]

Japan's precarious economic situation has forced a 10 percent cut in the 1954 defense budget and will probably necessitate further reduction in military expenditures for 1955 according to Defense Agency Vice-director Masuhara. He also told a high ranking US Army officer on 21 July that unless the United States turned over to Japan 17 combat naval vessels, further cuts would be made in funds for naval personnel.

Ambassador Allison views the defense cut as a violation of the spirit of defense commitments made to him by Foreign Minister Okazaki. Allison is also disturbed by a series of recent un-co-ordinated and even contradictory Japanese approaches for American aid which to him indicate the unwillingness of the present weak government to impose a realistic austerity program.

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3. Peiping offers to buy 50,000 tons of Burmese rice:

Peiping has expressed interest in buying 50,000 tons of rice from Burma during 1954, [REDACTED]

[REDACTED] that this quantity might subsequently be increased.

Comment: This appears to be the first transaction under the Sino-Burmese trade agreement signed last November.

China, which under the Communist regime has become a major exporter of rice, is probably buying for resale elsewhere in the Communist bloc. It already ships 200,000 tons a year to the USSR.

Such a rice purchase may have similar motivations as Chinese rubber buying activities in Asia. Much of the rubber also goes to the USSR. Transactions of this type permit Peiping to take the lead in furthering both Communist economic relations and political objectives in Asia.

SOUTHEAST ASIA

4. Viet Minh reported planning to press for early elections in Vietnam:

According to Jean Cousseau, a French political expert on Indochina, the Viet Minh during the past four months has sent 800-900 of its most experienced political agents

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into southern Vietnam to prepare the way for early elections. He predicted the Viet Minh would seek to have national elections within the next few months and expressed the belief that a carefully phrased mass appeal for such elections would not be easy to turn down.

Cousseau further reported that villagers throughout Vietnam were already being required to inscribe their names on one of two political registers--one in support of Ho Chi Minh and the other in support of Bao Dai. In view of Ho's greater popularity and the de facto Viet Minh control of some areas of southern Vietnam, Cousseau said that the majority were signing up for Ho.

Comment: The Geneva agreement provides for national elections in Vietnam to take place in July 1956. During the negotiations, however, the Viet Minh sought elections within six months and may now be attempting to speed up the process in order to exploit its present psychological and military advantages.

LATIN AMERICA

5. Pro-Prio elements in Cuba reported ready to oust Batista:

[REDACTED]

Fifty thousand revolutionists directed by 300 former military men are now equipped with small arms and ready for an attempt to oust the Batista regime and restore the

former Prio government, [REDACTED]

[REDACTED]

Prio has spent \$4,600,000 purchasing arms and, in order to recoup his expenditures, he is now willing to give full support to other elements working toward Batista's overthrow.

Comment: Should an attempt be made, it will probably take place before the scheduled 1 November elections. Prio is known to have spent sizeable sums for arms in the United States and elsewhere, and, [REDACTED] he will probably not change his plans after two years of preparation.

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The fact that Batista granted a safe conduct out of Cuba recently to Sanchez Arango, leader of the Prio forces, indicates his lack of concern about any attempt against him by pro-Prio elements.

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