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GENERAL**1. Chou En-lai reported planning to visit Djakarta in March:**

Chinese Communist premier Chou En-lai will visit Djakarta in March to sign the recently concluded agreement on the dual nationality problem of Chinese residents in Indonesia,

Further discussions on the agreement-- which thus far requires that persons born in Indonesia of Chinese parents choose one nationality or the other--are to take place in Djakarta in January, with one of Chou's deputies representing Peiping.

Comment: Peiping has devoted less attention to Indonesia than to the other two principal Asian "neutrals," India and Burma, which Chou visited last summer. The Chinese Communists have since feted the Indian and Burmese premiers in Peiping.

Increased interest in Indonesia was indicated in the appointment of a new and abler Chinese Communist ambassador to Indonesia last September. A visit by Chou En-lai, who has proved extremely effective in exploiting "neutralist" sentiments in other countries, will improve Communist China's already friendly relations with Indonesia.

FAR EAST**2. Japan plans no specific moves for Orbit relations:**

Japanese foreign minister Shigemitsu told Ambassador Allison on 27 December that his government had no specific plans for establishing diplomatic relations with the Communist bloc and would definitely consult the United States before considering any such arrangements with Communist China.


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Shigemitsu asserted that much anti-American sentiment is based on the belief that the United States is preventing Japan from having normal trade and diplomatic contacts with "an important Asian neighbor." He said his government's action in easing restrictions on travel and trade with the Orbit would permit the Japanese to see for themselves the difficulties involved in dealing with the Chinese Communists and at the same time would remove one of the basic causes of anti-Americanism.

Comment: Dealing with the Communists may dispel some popular Japanese illusions that Communist trade will provide a panacea for Japan's economic ills.

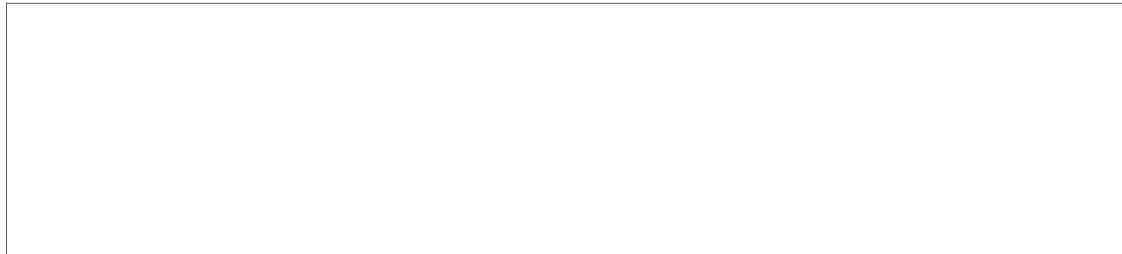
3. Peiping continues drive to divide West on trade issues:



Peiping is anxious to expand trade with Britain and the United States in order to lessen Chinese dependence on Eastern Europe. 

 China would discontinue ordering Czechoslovak trucks if Britain would guarantee delivery of large orders for heavy-duty trucks.

Comment: The remarks of the Chinese foreign trade official are a continuation of Peiping's propaganda trade drive aimed at dividing the West by implying China's willingness to trade while the United States prevents "normalization."

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SOUTHEAST ASIA

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SOUTH ASIA

5. Afghan prime minister Daud rumored about to resign:



Afghan prime minister Daud is to resign and to be replaced by his brother, Foreign Minister Naim. The embassy discounts the reports but states the possibility cannot be ruled out since Shah Wali Khan, the king's uncle, has warned the king of the dangers of Daud's present policy of accepting Soviet economic aid.

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Comment: Twice before Daud has been sent abroad or temporarily retired from politics when his actions became embarrassing to the ruling Afghan oligarchy.

The king and the elder members of the royal family may now feel that Daud's dealings with the USSR and his outspoken support of Pushtoonistan will hinder foreign policy planning with respect to the United States and Pakistan. [REDACTED]

EASTERN EUROPE

6. Rakosi appears to remain leading Hungarian Communist:

[REDACTED] The acclaim accorded First Secretary Matyas Rakosi at the tenth anniversary celebration of the Hungarian parliament on 21 December testifies to his continuing status as the "strong man" in the Hungarian party hierarchy. According to the American minister, who was present at the ceremony, Rakosi was greeted by the parliamentary deputies with stormy applause which made the reception accorded Premier Nagy and other speakers appear "exceedingly small."

Comment: Rakosi's failure to appear in public in October and November, during which time a party caucus re-emphasized support for the conciliatory new course policies and criticized "left-wing" opposition to this program, appeared at the time to represent a diminution in his power in the Hungarian Workers Party. His activities since his reappearance on 29 November, however, suggest that he remains "first among equals" in the collective leadership of the Hungarian regime.

Rakosi's resumption of public activity probably does not signify any change in the regime's present policies. He has publicly supported the new course and called for an end to all opposition to it.

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