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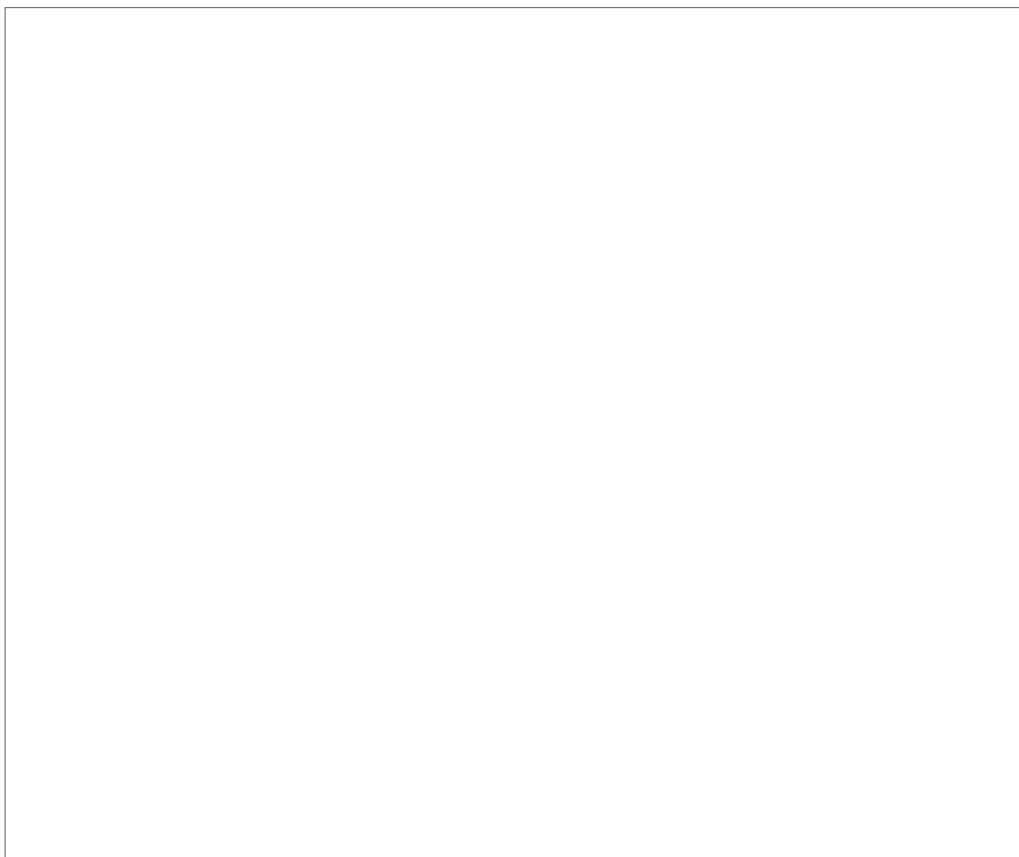


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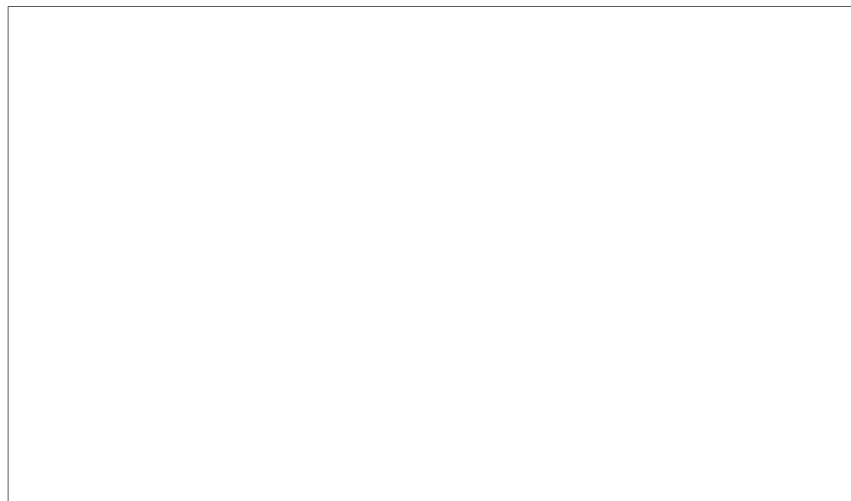
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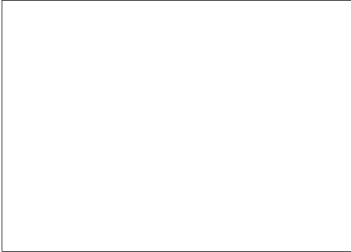
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1. SOVIET-SATELLITE COMMUNIQUE AFFIRMS TOUGHER
SOVIET POLICY TOWARD EASTERN EUROPE



The communiqué signed by leaders of the USSR, Hungary, Czechoslovakia, Rumania and Bulgaria and published by Moscow on 6 January reflects the Soviet Union's intent to strengthen its control over its Eastern European Satellites. Together with the subsequent declaration of the Hungarian government, the communiqué also indicates that Soviet policy toward Hungary will now be based on the principles which govern its relations with all of the orthodox Satellite states, leaving Poland in a unique category.

The Hungarian government statement of 6 January introduced a tough internal policy under the firm control of the "proletarian dictatorship" and a foreign policy which calls for closer economic and political allegiance to the USSR. Prospects for a coalition government, worker council industrial management and full national sovereignty have disappeared; domestic policy as a whole now does not appear to differ in principle from the policies of the other Satellite states.

The Hungarian government's pronouncement and the Communist communiqué followed three days of conversations in Budapest concerning Hungary but including questions dealing with the international situation and the alleged efforts of the West to renew the cold war. This high-level meeting with several Soviet Satellites is a departure from previous post-Stalin practices and is a direct slap at the announced Yugoslav-Polish position that relations between Communist parties should be conducted on a bilateral basis. Polish circles already fear possible Soviet attempts to isolate Warsaw from its contacts with Yugoslavia.

The omission of representatives from national Communist Poland and from highly orthodox East Germany

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and Albania was not explained. Poland, however, is known to disagree both with general Soviet policy toward the Satellites and specifically with Soviet policy toward Hungary.

Malenkov's participation in the meeting reflects an improvement in his status

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2. SUPREME SOVIET TO MEET SOON IN MOSCOW

The Supreme Soviet is expected to meet at the end of January or beginning of February, when it will consider the 1957 budget, according to recent statements made to Western ambassadors by Foreign Minister Shepilov and Alexander Gorkin, secretary of the Supreme Soviet's Presidium. Shepilov stated that the session would also deal with "changes" in the Sixth Five-Year Plan (1956-60) forecast by the recent central committee plenum.

Gorkin explained the assignment of deputy premiers to the planning commission, headed by Mikhail Pervukhin, on the ground that the commission would have executive powers in allocating funds and resources as well as planning functions.

Comment

Apparently the Pervukhin committee is expected to have made the broad decisions regarding the Sixth Five-Year Plan necessary to permit drafting a 1957 budget by the end of this month. The budget itself will show any major changes being made in the Sixth Plan in housing and consumer goods, investment, and overt military spending.

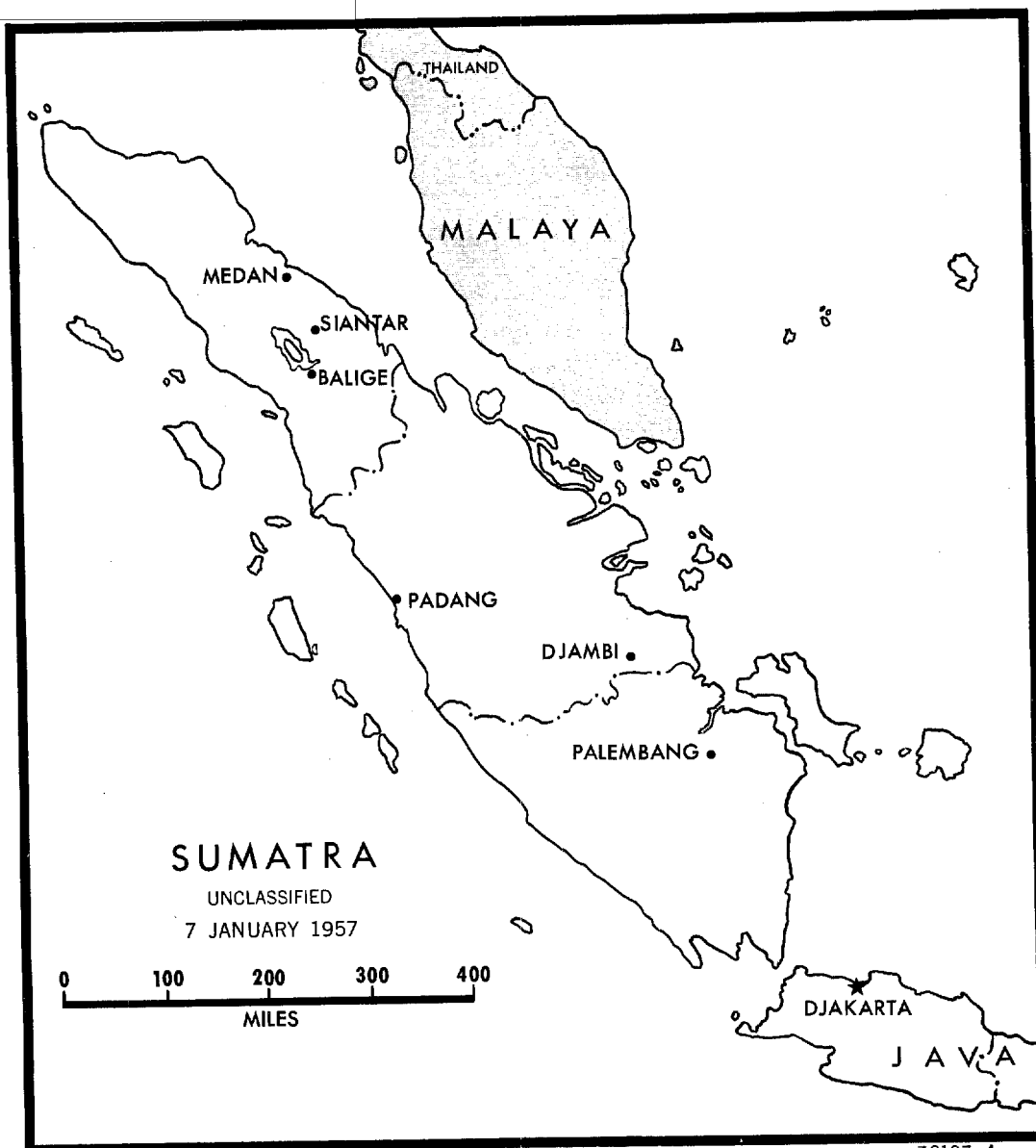
The extraordinary powers granted the planning commission, together with the assignment of high-level administrators as deputies, confirm earlier indications of Pervukhin's increasing authority. He may now be the fourth or fifth ranking member in the top leadership.

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3. SITUATION IN INDONESIA

Rebel commander Colonel Simbolon, who ignored a government ultimatum for his surrender on 5 January, reportedly has set up headquarters and is strengthening his position at the village of Balige in the interior of North Sumatra.



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Major Samosir, a regimental commander believed loyal to Simbolon, is reported en route to Djakarta, possibly to try to arrange a meeting between Colonel Simbolon and President Sukarno. Meanwhile, fighting between Simbolon and government units now appears less likely than between Simbolon's forces and Communist groups armed by the regimental commander at Siantar.

The problem of federalism versus centralism lies at the root of the dissidence in Sumatra, and a prominent member of the Masjumi has told an American embassy official that Sumatran events indicate that a unitary state can no longer be maintained in Indonesia. He further stated that the Masjumi was working for a form of federalism "like that in the United States!"

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4. PEIPING RENEWS OFFER OF ECONOMIC AID TO LAOS

[REDACTED] During the first week in January, the Chinese Communists offered to provide economic aid to Laos, [REDACTED]

[REDACTED] The Chinese are said to prefer that Laotian premier Souvanna Phouma request such aid officially through the Indian embassy in Peiping.

Comment The Chinese Communists offered Souvanna economic aid when he was in Peiping last summer. Although Souvanna side-stepped the issue, he left the door open for acceptance of such aid in the future.

Peiping's renewal of its offer at this time is probably intended to assure Souvanna that Communist aid will be forthcoming should the US withdraw its economic assistance as a result of the Laotian premier's determination to implement his policy of co-operation with the Pathet Lao.

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5. COMMUNIST INFLUENCE GAINS AMONG CHINESE
IN CAMBODIA

The Communist take-over of powerful Overseas Chinese social organizations as well as Chinese schools in Cambodia has accelerated in recent weeks, the American embassy in Phnom Penh reports. Elections held recently by several of these groups throughout Cambodia have resulted in Communist control, usually by landslide votes. The influence of Chinese Nationalist adherents in Cambodia has declined to a new low, although a leader of the anti-Communist groups believes that approximately 30 percent of the local Chinese students could still be denied to Communist control if appropriate textbooks were made available.

Comment

The Communists are exploiting Prince Sihanouk's deference toward Peiping in order to circumvent the Cambodian government's attempt to suppress political activity among the Overseas Chinese.

The "hero's welcome" accorded Chou En-lai last November gave strong impetus to the pro-Peiping drift among the approximately 250,000 Overseas Chinese in Cambodia. The increasing economic ties between Phnom Penh and Peiping are also a significant factor in the drift toward the Communists.

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6. NEW PHILIPPINE POLITICAL PARTY PLANNED
BY RECTO

Comment on:

Senator Claro Recto's announcement that he has completed plans for the formation of a new Philippine political party to contest the 1957 presidential elections would appear to foreshadow a general political realignment which will more clearly separate Recto's supporters from the backers of President Magsaysay.

A new party is necessary, according to Recto, because present leaders of the ruling Nacionalista Party have "forsaken" the party's "original principles." The senator's party will probably be advertised as standing for sovereignty, independence and pride of race. It can be expected to attract support from extreme nationalist and "old-guard" forces in the Nacionalista Party, the "sugar bloc" interests opposing Magsaysay's economic policies, and such other antiadministration forces as Senator Tanada's Citizens' Party.

President Magsaysay, meanwhile, is known to be working for a coalition between his own Nacionalista supporters and the opposition Liberal Party. He has informed the American chargé in Manila that he expects a declaration of support from the Liberals within two weeks.

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7. TURKEY'S WHEAT FAMINE TO BECOME WORSE IN 1957

Turkey's wheat crop this year will probably be the worst in many years, according to American agricultural specialists in Turkey. Because of continuing serious drought conditions in the Central

Anatolian wheat belt, only half the normal acreage in wheat has been planted, much of which will probably be unproductive. The poor cereal crops during the past three years have raised questions concerning Turkey's ability to grow wheat on the scale the government has planned.

American officials estimate that Turkey will have to import nearly 1,000,000 tons of wheat on an emergency basis between July 1957 and July 1958. This amount will be in addition to the 600,000 tons already requested from the United States during the first half of 1957.

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