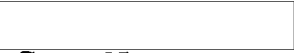


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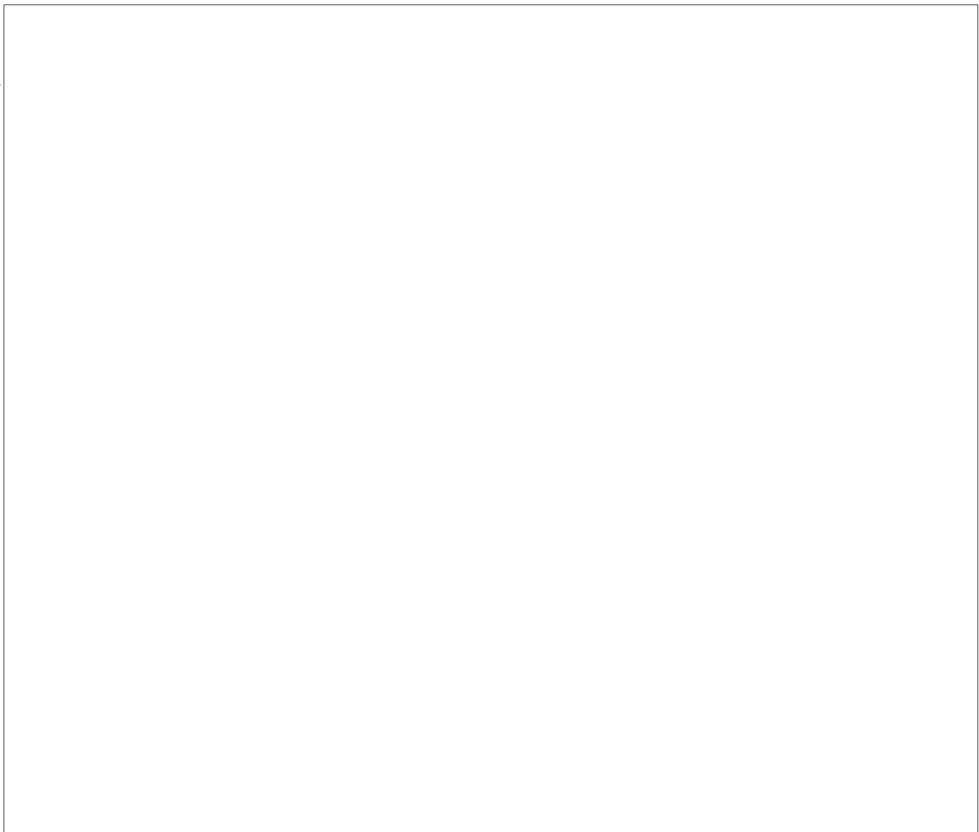
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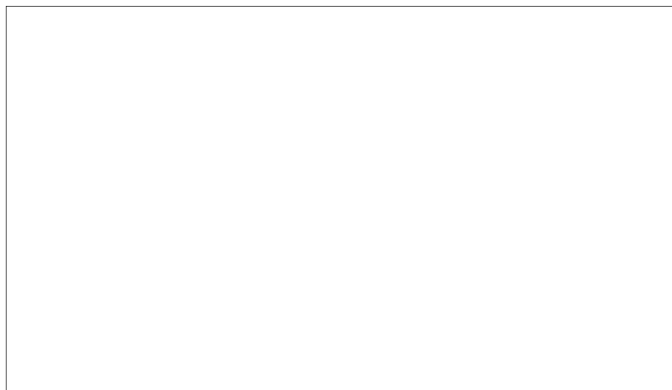
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1. SITUATION IN INDONESIA

Comment on:

Indonesian Communists, working through SOBSI--the Communist-dominated labor federation--are continuing to force the pace of the anti-Dutch campaign in Indonesia. [redacted]

[redacted] the Communist objective apparently is to bring the Indonesian

economy to a complete halt, creating a condition of economic chaos which could present the party with an opportunity for a takeover of the government.

[redacted] the union wished to take over all Dutch estates. [redacted]

[redacted] such action could be undertaken only by the government, the SOBSI official said that labor, not the government, is in control and that labor would take over when the present cabinet [redacted] SOBSI has also appealed to the WFTU and Australian dockworkers for an international boycott of Dutch shipping and transportation.

Action against the Dutch has now been extended outside Java. The commander in North Sumatra, the only non-Javanese area under direct Djakarta control, announced on 6 December that all Dutch enterprises were under his direct supervision. Seizure of other Dutch interest has also been reported from Palembang in South Sumatra and Makassar in Celebes, both cities where SOBSI affiliates predominate among unionized labor. There are indications, however, that the dissident colonels in Sumatra do not fully approve of the anti-Dutch drive and will seek to curb the Communists in their jurisdictions. [redacted]

2. CONTINENTAL NATO MEMBERS NEAR "INTERDEPENDENCE" AGREEMENT ON MODERN WEAPONS

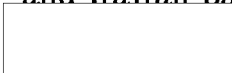
Comment on:



General Mancinelli, the Italian chief of staff, informed the US embassy in Rome on 5 December that Italy, Germany, and France are about to conclude an "interdependence" agreement in production and procurement of aircraft and missiles. Mancinelli's assessment of the agreement's political importance as "in some degree similar" to that of the European Defense Community raises important questions concerning the future of European and Atlantic unity. There are overtones of "European sectionalism" in the agreement, and if implemented, it might pose grave organizational problems for both NATO and WEU.

Mancinelli said the plan in the missiles field is to adopt a prototype--probably US--and to develop original European improvements and innovations. He said the group is interested only in tactical types and has no present intention of experimenting with longer range missiles.

Mancinelli thought the agreement might be extended to cover the Benelux countries, but he specifically excluded the UK on grounds of its "traditional obstructionism toward European unity measures"--thus implying an expansion of the six-nation integration along the lines of the CSC, EURATOM, and the Common Market, and a rejection of WEU, of which Britain is a member. He referred to the "somewhat chauvinistic French attitudes" involved, but thought German and Italian participation would provide a stabilizing factor.



3. SPAIN MAY NEGOTIATE WITH MOROCCAN KING ON IFNI PROBLEM

Comment on:

Spain may attempt to solve the Ifni problem through talks with the King of Morocco as soon as he returns from the United States, and is also holding open its offer to arbitrate the Ifni question through the International Court of Justice.

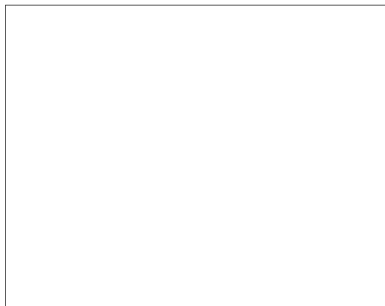
Madrid is reported willing to turn Spanish Southern Morocco over to the Moroccan government immediately if Morocco will assume responsibility for security and station troops on the Ifni frontier, where the irregular Army of Liberation is now operating. Spain would then be willing to negotiate concerning the frontiers of the enclave, but in any event is not prepared to surrender

Ifni. The Spanish army's dissatisfaction with the loss of prestige already suffered in Africa may make it difficult for Madrid to accept any substantial reduction of Spain's holdings in the Ifni area.

The Spanish fear attacks on Spanish residents in Morocco itself. Two Spanish cruisers and four destroyers were reported on 7 December to be demonstrating off the Moroccan port of Agadir, north of the enclave of Ifni.

4. COMMUNISTS AND EGYPTIANS INTENSIFY PREPARATIONS FOR CAIRO SOLIDARITY CONFERENCE

Comment on:



Egypt and the Communist world are intensifying promotional activity for the Asian-African Solidarity Conference in Cairo on 26 December. Members of the Communist-front Asian Solidarity Committee and Egyptian representatives are traveling through Asia and Africa lining up representation, and some 400 dele-

gates are now expected. The nongovernmental nature of the conference is being used to obtain representation from colonies and from opposition groups in countries such as Iraq and Jordan.

Some friction may have developed between Anup Singh, secretary of the Asian Solidarity Committee, and the Egyptian committee which has taken over much of the initiative in preconference work. Singh indicated that the Egyptian government was undermining the nongovernmental status of the conference, while the conference secretariat press officer--an Egyptian--told American embassy sources in Cairo that Singh "made himself unpopular" in the October preparatory meeting in Cairo.

Meanwhile the USSR has begun a widespread propaganda build-up in connection with the celebration of Asian-African Solidarity Week. Pravda on 1 December rejected Western assertions that the USSR was penetrating Asia and stated that by virtue of its territorial distribution the Soviet Union is equally a European and an Asian country.

5. SOUVANNA ATTEMPTS TO UNITE
CONSERVATIVE PARTIES IN LAOS

Comment on:

[Redacted]

Laotian Prime Minister Souvanna Phouma is pressing for a merger of the Nationalist, Independent, and Democratic parties into a single conservative bloc in order to minimize Pathet Lao gains in the national supplementary elections set for next spring. Souvanna may also be motivated by a desire to consolidate his ascendancy within the Nationalist party over his long-time rival, pro-Western Interior Minister Katay, by forming a bloc from which the latter's supporters might be excluded.

[Redacted]

Souvanna, who took the lead in promoting the settlement with the Pathet Lao and the establishment of a coalition government, has emerged as the dominant political figure in Laos. He nevertheless will probably be inclined, as leader of a conservative coalition, to be guarded and gradual in implementing the neutral foreign policy which he enunciated last August. In opposition will be the left-wing National Union party and the Pathets' Neo Lao Hak Zat party, which will campaign for the immediate adoption of a policy highly favorable to the Communist bloc.

[Redacted]

[Redacted]

6. SOVIET NOTE TO JAPAN ON NUCLEAR TEST BAN

Comment on:



A Soviet note delivered in Tokyo on 5 December again sought Japanese support for the Soviet demand that a nuclear weapons test ban be considered apart from other disarmament questions. The note offered no new proposals, but expressed "regret" that the Japanese UN delegation, like the West, had tied the test ban to a ban on production of fissionable materials, "which fact has undoubtedly affected adversely the chances of a decision on this question being adopted by the General Assembly."

By placing some of the responsibility for breakdown of the disarmament talks on the Japanese, the USSR may intend to exploit the concern which the new Soviet weapons and Soviet withdrawal from the negotiations have produced in Japan. Moscow had previously tried to use the strong Japanese desire for a cessation of tests to maneuver the Kishi government into a public identification with the Soviet formula.

The note is also part of a continuing Soviet propaganda campaign on the test ban issue which will probably be intensified, now that disarmament talks are disrupted, in the belief that neutralist pressure will eventually force the West to yield.



7. BRITISH REINFORCE GARRISON IN BRITISH HONDURAS

Comment on:

Britain has reinforced its military strength in British Honduras, probably to forestall any public violence in British Honduras following the removal of Minister for Natural Resources George Price from the colony's Executive Council on 6 December. Price was removed for allegedly plotting with the Guatemalan minister in

London to throw off British control of the colony. The British action also appears to be a warning to Guatemala to keep hands off British Honduras, although Guatemala at present is in no position to become involved.

Price received a vociferous welcome last week upon his return from London, where negotiations for a loan and for a ministerial government for the colony were broken off when the British secretary of state for colonies accused Price of "lack of candor and good faith." Military intervention in Belize would provide new anti-British propaganda for Caribbean Communists such as Cheddi Jagan of British Guiana, and could also reduce the prestige of the West Indies Federation to be inaugurated in early 1958 even though British Honduras is not a part of the federation.

8. DEFENDANT'S ACQUITTAL IN PANAMANIAN ASSASSINATION TRIAL MAY SPARK DISORDERS

Comment on:

The atmosphere in Panama is tense and conducive to disorders as the result of the acquittal on 6 December of Ruben Miro, accused assassin of former President Jose Remon. Alejandro Remon, politically powerful brother of the slain president, is strongly opposed to the acquittal [redacted]

[redacted] The American embassy believes, however, that the national guard will continue to maintain control.

The politically charged trial, which opened on 21 October, had been delayed almost three years by the maneuvering of powerful politicians, who apparently were attempting to prevent the revelation of possible incriminating facts related to the assassination.

The verdict will require a review of the impeachment and prison sentence of former President Guizado, Remon's successor. Guizado was convicted as an accomplice in the murder solely on the basis of Miro's confession, which was later retracted.

9. HUNGARIAN REGIME CONTINUING TERROR TACTICS

[REDACTED] Fairly reliable reports are circulating in Budapest that at least 20 persons in university and literary circles have been arrested in Hungary during the last two weeks, according to the American legation. [REDACTED]

[REDACTED]

American officials believe this information, if confirmed, would indicate that the Kadar regime is continuing its course of oppression in a "relentless attack" on sections of the Hungarian populace, with cultural figures as the current targets.

Comment . The Stalinist wing of the Hungarian party has become increasingly bold in the past month in demanding harsher cultural policies. These demands, combined with the reports of arrests of literary figures, probably presage more repressive tactics in this field, where there has been some relaxation in the past few months, and a continuation of the regime's hard-line domestic policies.