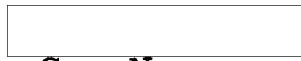


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18 September 1953



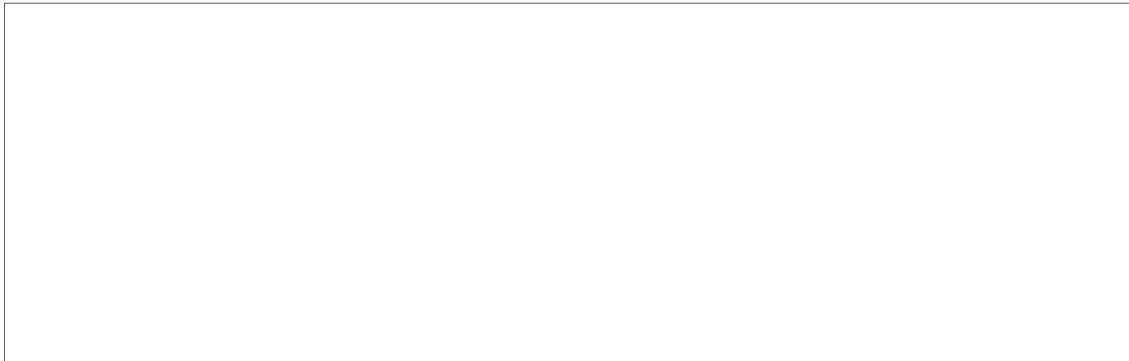
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## FAR EAST

1. Japanese defense plan emphasizes air power:

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Air power is emphasized in pending Japanese defense plans. These envisage the development of a 1,400-plane air force and a supporting aircraft industry in the next five years,

The plans call for the expansion of the ground forces from 110,000 to 150,000 in the next year. Naval forces will be increased, but primary reliance will be placed on American naval power for strategic defense.

Comment: The government and Liberal Party are seeking a plan which can be used by Japanese officials visiting Washington to bargain for United States assistance and for economic concessions without exceeding the limit of "war potential" set by the Japanese constitution.

Emphasis on the development of an air force is probably designed to appeal to the public as provision for an all-around defense based on Japan's national interests rather than as a move to qualify for American aid.

## SOUTHEAST ASIA

2. Comment on Burmese withdrawal from four-power committee:

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The withdrawal of the Burmese delegation on 17 September from the four-power committee in Bangkok appears to eliminate all possibility of a negotiated evacuation of Chinese Nationalist forces from Burma. After nearly four months of talks marked by increasing Burmese impatience with Taipei's procrastination, the walkout was precipitated by Chinese rejection of a demand that 5,000 troops be evacuated within 35 days of the signing of the evacuation plan and the rest within three months.

The Burmese government will now feel compelled to take strong action against the Nationalists. It is practically certain that it will seek UN condemnation of Taipei

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as an aggressor, and that it anticipates considerable support for this charge. [redacted] Burmese army units deployed against the Nationalists have been strengthened and they may be expected to launch an all-out military campaign. Some important government leaders are also known to be considering an approach to Peiping for military assistance.

3.3(h)(2)

On 16 September, a highly influential cabinet minister told the American ambassador that his government and people were rapidly losing faith in the UN's ability to protect small countries, and that Burmese leaders have seriously debated a withdrawal from the UN.

**3. Indonesian government concerned over autonomous movement in North Sumatra:**

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[redacted] that the situation is tense in Atjeh, an area of North Sumatra, where an autonomous movement has long existed. Indonesian army reinforcements have been sent there and European plantation families have been evacuated.

3.3(h)(2)

Comment: The Atjehnese are a primitive people who were never fully brought under control by the Dutch during their long rule of Indonesia.

Vice President Hatta visited Atjeh in July in an effort to forestall a declaration of autonomy, and in August the new government ordered the ministers of defense and interior to investigate the situation.

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## SOUTH ASIA

5. Ceylonese ambassador raises possibility of ending rubber trade with China:

Attributing his approach to recent political unrest in Ceylon and to the possibility that current trade negotiations with Communist China might fail, the Ceylonese ambassador in Washington on 14 September sounded out the United States "position" on Ceylon. He implied that with American assistance Ceylon might be able to "get back into step with the free world" by letting its trade agreement lapse.

3.3(h)(2)

Comment: The Ceylonese government, which is now negotiating the second-year terms of its five-year trade pact with China, is apparently weighing the short-range benefits to be gained from that trade against the longer range ones which might result from a resumption of American financial and technical aid and private investment.

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Ceylon may also fear the annual loss of at least \$10,000,000 in premium profits from the China rubber trade if peace in Korea leads to a relaxation of trade controls and competition from Indonesia and Malaya. Since Ceylon is in a bad financial position, the government may also be seeking new sources of development funds.

## NEAR EAST - AFRICA

6. Zahedi desires early Majlis election:

[Redacted]

In a conversation with Ambassador Henderson on 14 September, Prime Minister Zahedi expressed the belief that he could arrange to hold new Majlis elections by 1 December, despite certain risks involved. He believed it necessary to take these risks in order to have a Majlis to cooperate in improving Iran's financial situation.

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While the shah would like to postpone the installation of a new Majlis until July, Zahedi would prefer the dissolution of the present body and convocation of a new one.

Comment: Long-term relief of the Iranian financial problem depends in large measure upon an effective Majlis. This body must enact any increased taxation, ratify an oil settlement, and approve loans from abroad.

The present regime will be vulnerable to charges of dictatorial rule unless a properly constituted parliament exists. If the new Majlis is not chosen soon, the opposition elements will have an opportunity to accumulate strength.

7. Iranian prime minister has not seriously considered oil solution:

[Redacted]

Prime Minister Zahedi has not yet given serious attention to settling the Iranian oil dispute with Britain, Ambassador Henderson reported on 16 September.

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Zahedi seemed "totally unacquainted" with the details of the problem, although he appeared to realize the difficulties of establishing markets for Iran's oil. He stated that he would prefer to use channels for negotiations acceptable to the British, but emphasized that it would be extremely difficult to work outside the framework of the 1951 nine-point oil nationalization law.

Comment: This strengthens the impression that considerable time will probably elapse before oil talks can actually begin.

8.

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## WESTERN EUROPE

9. Laniel and Bidault to push for French EDC ratification this year:

Ambassador Dillon in Paris thinks that for the first time the French government is prepared to launch an aggressive campaign

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for EDC ratification. In the past two days both Premier Laniel and Foreign Minister Bidault have expressed their determination to secure ratification before the end of the year. Bidault said that he would attempt to persuade 35 or 40 influential deputies who are undecided or opposed.

Laniel feels well qualified to lead the fight because he combines a resistance record with influence on the political right and, unlike Bidault, has not been closely identified with EDC from the beginning.

Bidault told Ambassador Dillon of his confidence that a satisfactory Saar settlement can be reached and that under present circumstances four-power talks would not affect the EDC issue.

Comment: French opponents of the EDC have been more vocal in the past year than its supporters, and the attitude of the undecided deputies, whose votes will be decisive, is not yet clear. The outcome of the Saar issue may determine their vote.

French-German negotiations on the Saar are not expected to begin before mid-October. In view of the considerable unresolved differences, they will probably be protracted and seriously weaken Bidault's optimism on early EDC ratification.

10. Laniel government seen stronger:



French finance minister Edgar Faure told Ambassador Dillon on 15 September that he considers the Laniel government "much stronger" than it is generally believed to be. He feels that there is no longer a possibility that Mendes-France can form a left-center government, since recent events in North Africa have deprived him of Popular Republican support.

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Comment: Ex-premier Faure's statements may be colored by the fact that he was responsible for the government's economic program. Moreover, he has reportedly broken with his Radical-Socialist colleague Mendes-France, with whom he had worked closely during the last cabinet crisis.

If the government can quiet labor discontent, which is expected to flare up during the fall, Laniel probably will be able to remain in power until the presidential elections in December.

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