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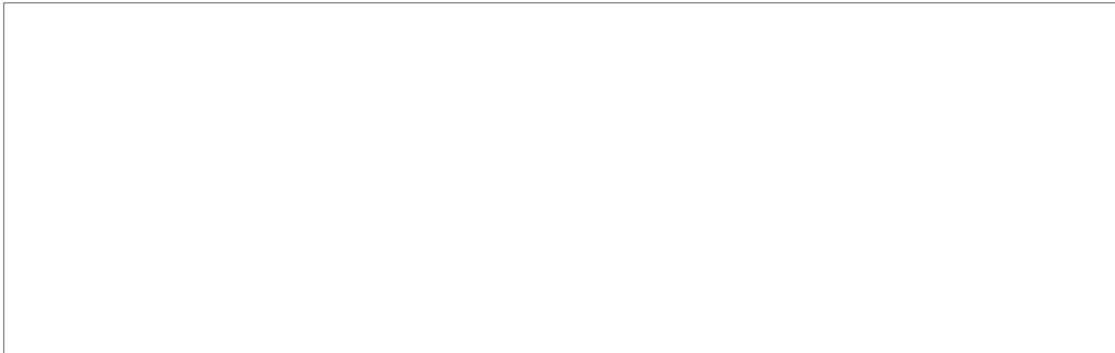
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SOVIET UNION

1. American embassy comments on Soviet leadership situation:

The American embassy in Moscow observes that the Soviet press reports of the 7 January Moscow meeting of Komsomols is another example of the preferential publicity accorded Khrushchev during the past nine months. The embassy feels that Khrushchev in his speech as well as in a recently publicized interview made somewhat patronizing references to Malenkov.

The embassy, while cautioning against "premature hypotheses," notes that Khrushchev's activities in the past nine months have identified him with an increasing number of important aspects of Soviet domestic and foreign policies and have made him the most publicized member of the Soviet leadership group.

In contrast, Malenkov has not made a single major speech since the Supreme Soviet session of April 1954. The only occasion since April on which he has received individual publicity was his New Year's Day response to questions posed by a foreign correspondent, and this received noticeably less propaganda treatment than it did last year. Moreover, Malenkov's name has been omitted during the past nine months from press items listing Lenin's "closest associates" and leading members of the central committee prominent in war work during World War II, while Khrushchev has been included on all these lists, sometimes in defiance of the facts.

Comment: Despite the suggestion of weakness in Malenkov's position, he has impressed virtually all foreigners who have observed the presidium members at social gatherings during the past year as poised, self-confident, and clearly the dominant figure present.

FAR EAST

2. Japanese conservatives see election as "last chance":

[Redacted]

Japanese conservative leaders see the coming election as their "last chance" to consolidate their control, provide economic and social stability, and thereby nullify the growing leftist threat. They assert, according to Ambassador Allison, that the conservatives must win a decisive victory to be able, by democratic means, to correct unsuitable occupation reforms and restore some prewar authoritarianism, discipline and order. Otherwise, they believe, conservative strength will be eroded in a series of elections.

Allison feels this view is exaggerated but that the coming election may be the best foreseeable chance for achieving conservative unity without extremism.

Comment: The desire for personal power among the rivals for the leadership of Japan's dominant conservative forces is the major reason for the present disunity and weakness. The leftist parties appear certain to attain the 156 seats required to block constitutional amendments, in particular, the one on rearmament.

Hatoyama's Japan Democratic Party is probably hoping that an expression of American support will enable it to make sufficient election gains to assure its hegemony over any postelection movement for conservative unification.

3. Comment on latest Chinese Communist air attack on Tachens:

[Redacted]

The air assault on the Chinese Nationalist-held Tachen Islands on 10 January, the third major air raid on the islands since 1 November, seems to have been aimed chiefly at disrupting the second phase in a Nationalist plan for replacing the Tachen garrison with troops from Formosa. The Tachen Defense Command was "caught

flatfooted" by the bombing, [redacted]

[redacted] There was no air alert, and Nationalist antiaircraft fire was sporadic and ineffective.

The 66 Chinese Communist fighters and bombers which struck at the Tachens on 10 January concentrated their attacks on Tachen harbor, in which there was a destroyer escort, three LST's, a minesweeper, and several other small vessels. All three of the LST's were hit, two of them seriously. The destroyer escort, the only one remaining on station in the Tachens since the Communist sinking of a similar ship there in November, was also reported as hit. Details on the damage to these ships and on other Nationalist losses are not yet available.

When the first phase of the troop rotation program was undertaken on 21 December, Chinese Communist planes unsuccessfully bombed Nationalist shipping in the Tachens. The second phase, originally scheduled for the period between 4 and 6 January, was delayed by poor weather, and most of the ships involved did not arrive at the Tachens until 8 and 9 January. The third and last phase is scheduled on or about 22 January. Further Communist air attacks are expected at that time.

SOUTHEAST ASIA

4. Viet Minh continuing arms supply to Laotian Communist forces:

[redacted]
Pathet Lao forces,

[redacted] each platoon-size Pathet Lao unit is directed by Viet Minh military-political officers. Open clashes between government forces and the Communists are frequent.

[redacted] continuing armed action on the part of the Pathet Lao possibly is designed to put pressure on the Laotian government to accept Pathet Lao terms in the present conversations.

Comment: Viet Minh tactics relative to the truce agreement for Laos have obviously been designed to

stall for time to permit the strengthening of the relatively weak Pathet Lao forces.

[redacted]
Pathet Lao and government
 representatives relate to establishment of a "mixed commission," which eventually would supervise the planned general elections, and the submission of Pathet Lao troops to the Laotian government authority without integration into its forces. Laotian acceptance of these terms would give the Communist an early entree into governmental affairs without a significant concession on their part.
[redacted]

SOUTH ASIA

5. Comment on cabinet changes in India:

[redacted]
 Prime Minister Nehru's resignation from the Defense Ministry on 10 January, his shift of K. N. Katju from the Home Ministry to Defense, and his appointment of G. V. Pant as home minister will strengthen the Indian cabinet. Pant, one of the ablest administrators in the country, may be expected to be loyal to Nehru and to take the place of the late Rafi Ahmed Kidwai as Nehru's top adviser and domestic policy expediter.

Katju, a relatively strong conservative, will be able to give the Defense Ministry the direct leadership it has lacked under Nehru, who is primarily interested in foreign affairs. Prime Minister Nehru, who now holds only one additional portfolio, that of External Affairs, will be more free than before to supervise his new program of increasing India's economic strength.

Essentially the new moves represent a loss for Congress Party conservatives, since Katju's removal from the important Home Ministry will weaken his influence in the cabinet by removing him from the main stream of Indian politics.
[redacted]

NEAR EAST - AFRICA

6. Moroccan situation alleged "near breaking point":

The tense situation in Casablanca is "near the breaking point,"

The American consul general comments that French indecision or inability to deal with the Moroccan problem, except for police reorganization, is gradually turning the area into a political jungle.

The consul general adds that the situation provides fertile ground for the Communist propaganda which on 1 January assured Moroccans that independence could only be acquired by fighting the French and that "unconditional assistance" would be provided by the "partisans of peace and liberty" headed by the USSR.

Comment: Recent reports have indicated that tension in Morocco is rising and that the number of armed attacks has increased in the past few weeks.

Premier Mendes-France considers the conclusion of French-Tunisian negotiations, which he does not expect before February, essential before commencing a study of Moroccan problems. There is no indication, however, that he envisages for Morocco substantial changes in France's policy in the area.

The small, covert Moroccan Communist Party is capable mainly of illicitly distributing propaganda leaflets and starting whispering campaigns. Heretofore, nationalist leaders have spurned Communist leadership or assistance. Local Communist allegations that the USSR would provide assistance might convince some nationalist extremists, however, to turn to the Communists for support.

WESTERN EUROPE

7. Comment on Benelux reaction to French arms pool plan:

A spokesman for the Belgian Foreign Ministry, in criticizing the French proposal for an arms pool as "complicated" and contradictory, stated, however, that it is more satisfactory than had been anticipated. A high-level Dutch Foreign Ministry official told Ambassador Matthews on 7 January that the French proposal is unsatisfactory and does not provide adequate national safeguards. He revealed that his government is sounding out industrialists

on the possibility of the Netherlands staying out of the pool even if all other WEU countries join.

The Benelux countries will probably be greatly antagonized because Mendes-France has not included them in the itinerary of his current trips to Italy and West Germany to discuss the Paris proposal for an arms pool.

Representatives of the Western European Union countries are scheduled to meet on 17 January to discuss the French plan, and the success of this meeting may be jeopardized if the Benelux countries are convinced that France, Italy and Germany intend to impose their views.

8. Comment on Italian Communist Party's current national conference:

Togliatti's position as chief of the Italian Communist Party (PCI) does not appear in jeopardy, despite the critical attitude of other party leaders at the opening session of the PCI national conference in Rome on 9 January.

Rumors of a party crisis have circulated periodically for the past six years, but Togliatti has always managed

to reassert his leadership. The party has shown continuing electoral strength as a result of his "soft" tactics, the main target of his enemies in the party. As far as is known, Moscow has not taken a position in the present dispute.

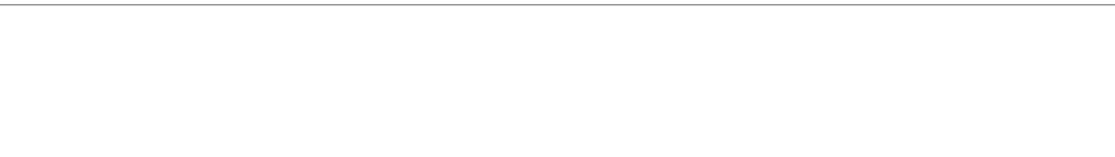
Although a majority of PCI leaders appear to support Togliatti, a report prepared by the party's central committee for submission to the current conference notes several party weaknesses. The report admits that the party is having difficulty in recruiting young men, cites the lack of enthusiasm for recent party undertakings, and complains that there are too few "who dedicate all their activities to the party."

PCI reaction to the Scelba government's anti-Communist campaign has thus far been confused and uncertain. A continuing dispute over policy within the party would probably lead to the further success of Scelba's program.

LATIN AMERICA

9. Somoza expects "internal uprising" in Costa Rica before 15 January:

 Nicaraguan president Somoza advised Ambassador Whelan early on 10 January that he believes a Costa Rican revolt made up "100 percent of Costa Ricans" will occur prior to 15 January.

 It is believed that the Nicaraguan and Venezuelan governments have been providing clandestine assistance to exiled Costa Rican revolutionaries and that every attempt will be made to have any move against Figueres appear a purely domestic Costa Rican uprising.