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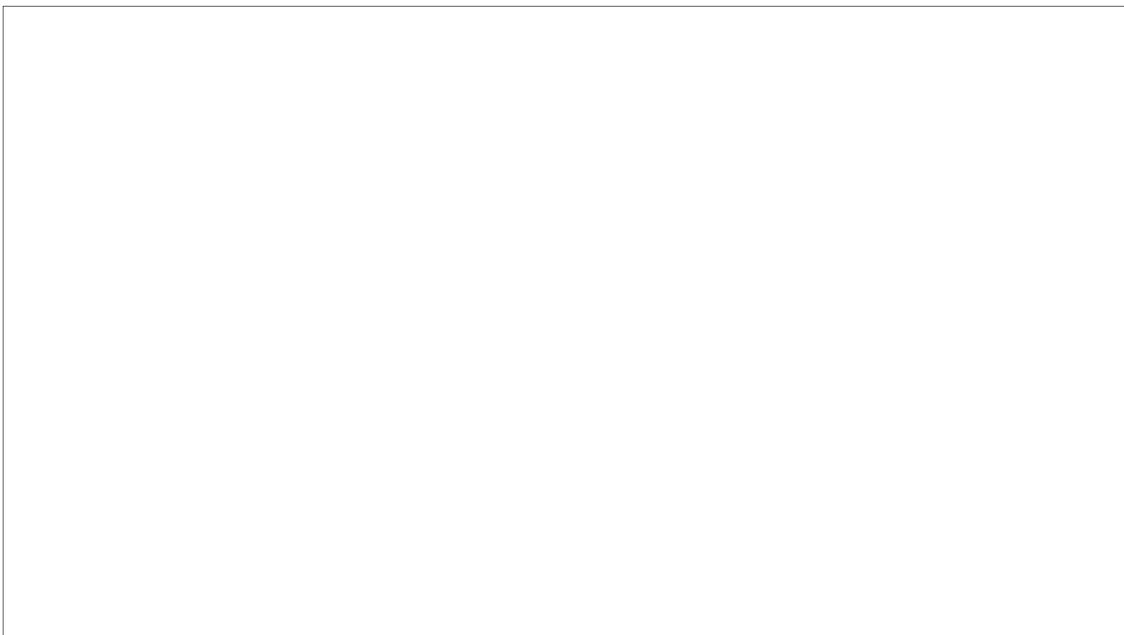
SOUTH ASIA

5. India accepts "in principle" Soviet steel plant offer (page 6).

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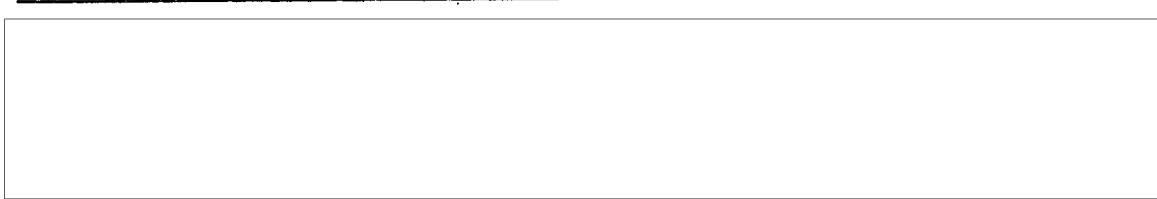
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GENERAL**1. Japanese anticipate move by USSR to terminate state of war:**

Comment: Premier Malenkov may choose New Year's Eve to make a statement to the Japanese people such as Stalin did on 31 December 1951 in answer to a request of the Kyodo News Agency. This year Asahi, the leading independent Japanese newspaper, may have sent Malenkov a series of questions, just as it has submitted five questions to President Eisenhower, with a request for answers in time for publication in its New Year's edition.

While Poland, like the USSR, rejected the San Francisco treaty, it did not actively engage in hostilities with Japan during World War II, and the USSR may now be using Poland to test Japanese reactions prior to further Moscow overtures.

2. USSR tempts Burma to accept aid:

Comment: At his press conference in Peiping on 11 December, U Nu expressed the hope that trade with the USSR could be expanded. The cordial contacts made to date probably will lead to Soviet offers of economic and technical assistance such as those made to Afghanistan and India during the past year.

SOUTHEAST ASIA

3. Viet Minh prepares for mass anti-American demonstration:

A large demonstration occurred in Hanoi on 27 December which was apparently the dress rehearsal for a mass protest against "American imperialism" probably scheduled for 1 January. The American consul reports that the participants, numbering several thousand, appeared apathetic and did not react to the sight of the American flag displayed on his automobile.

Comment: The Viet Minh has recently intensified its anti-American campaign. Children's publications have encouraged their readers to "hate American aggressors." A Hanoi newspaper reported on 25 December that more than

20,000 people in Hanoi suburbs had participated in 75 meetings to protest "American imperialism."

A large-scale "spontaneous" demonstration in the new "Red Square" in Hanoi would be the regime's most vigorous expression of its anti-American campaign thus far, and would serve the additional purpose of impressing the citizens of Hanoi with the degree of popular support the Viet Minh can muster.

4. Viet Minh foreign minister voices lack of confidence in "the East":

Viet Minh foreign minister Phan Van Dong told [redacted] that while he did not understand India's ties with the West, neither did he have "entire confidence in the East."

In relating this conversation to the American consul in Hanoi, [redacted] contrasted Dong's "sensible" attitude with Ho Chi Minh's complete devotion to Communism. He also described the interest of Viet Minh officials in Western culture and institutions, as evidenced by their requests for reading matter on these subjects.

Comment: Dong is a member of a cultured "mandarin" family and participated in Vietnamese nationalist activity in the pre-Communist period of the twenties. He was one of the first Vietnamese to become a Communist, and has been a close collaborator of Ho Chi Minh for three decades. He is the Viet Minh's most skillful diplomatist, and as such is capable of striking a convincing "national Communist" posture.

SOUTH ASIA

5. India accepts "in principle" Soviet steel plant offer:

[Redacted] India has accepted "in principle" a Soviet offer to set up a steel plant with a 1,000,000-ton annual capacity, according to a Reuters report. Indian officials will meet Soviet experts this week to negotiate an agreement, but final agreement on all points is likely to take some time.

Comment: Since Indian officials have said that India will seek at least to quadruple its present steel production of about 1,000,000 tons a year, acceptance "in principle" of the Soviet offer does not close the door on other projects to expand production by utilizing British or American resources.

[Redacted] New Delhi is increasingly reluctant to approve large-scale projects originated by private enterprise.

The Soviet negotiators have consistently avoided detailed discussion of technical points, but will have to give Indian experts satisfaction on these points if follow-up negotiations are to succeed. [Redacted] the Soviet plant would have an annual capacity of only 300,000 tons and would not make as many types of steel products as the Indians desired. [Redacted]

NEAR EAST - AFRICA

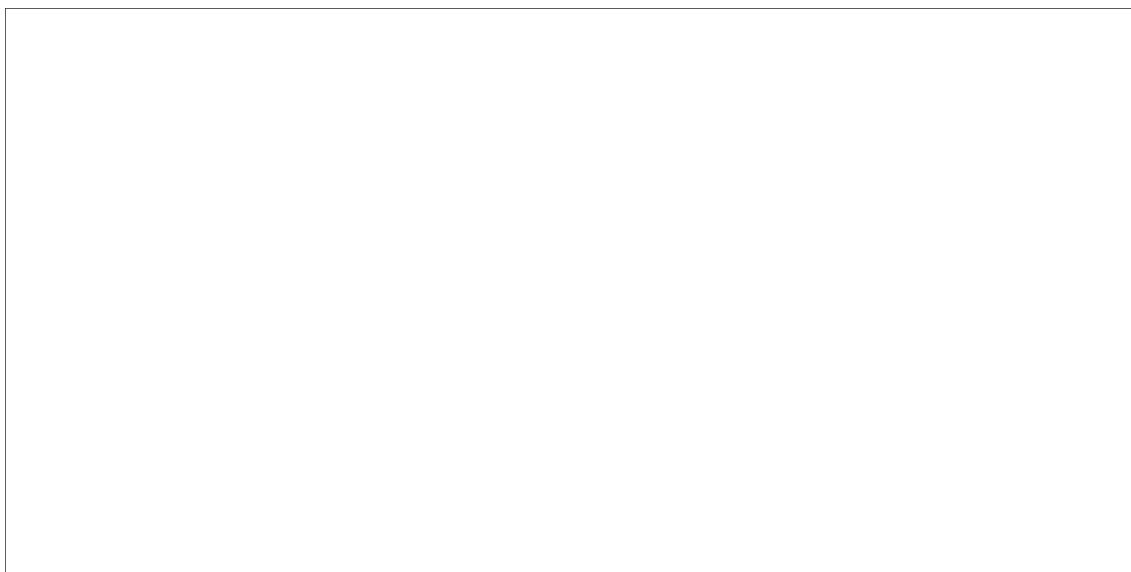
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