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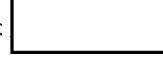
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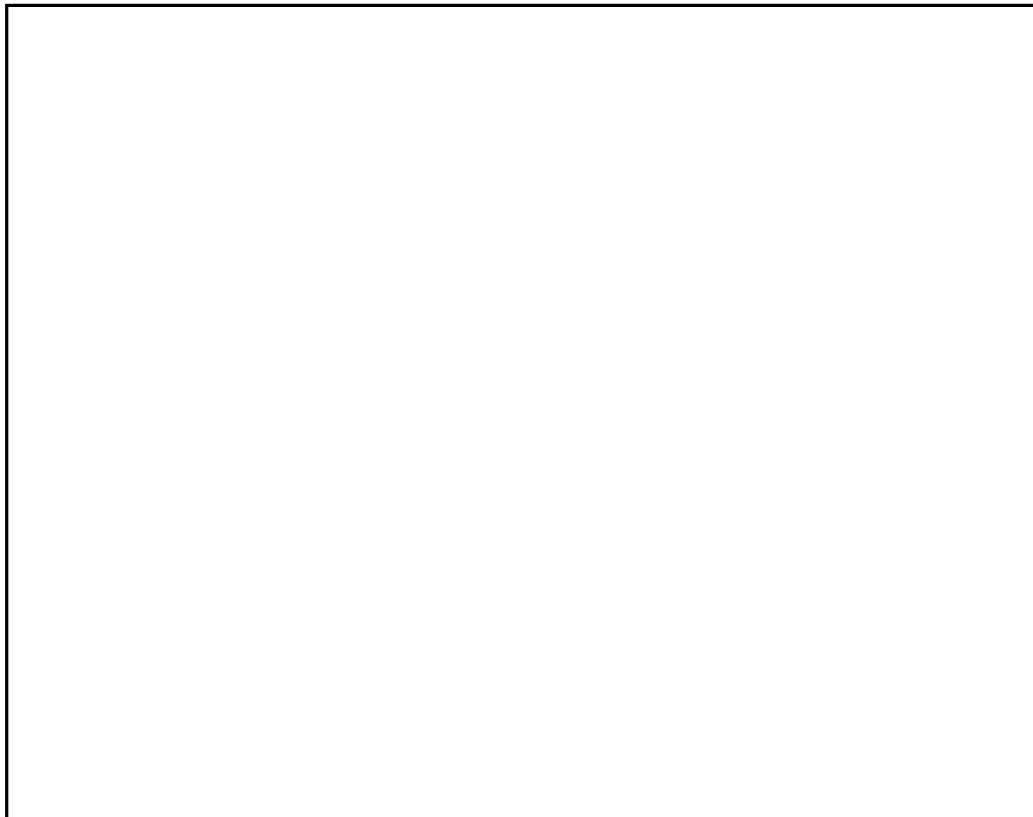
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3. SOUTH ASIA MAY REQUEST OVER 2,000,000 TONS OF
US EMERGENCY FOOD AID

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India, Pakistan, Afghanistan, and Nepal are seeking emergency food-grain assistance from the United States which may eventually total over 2,000,000 tons. Serious food shortages, caused by adverse weather conditions, exist in these countries as well as in Ceylon, which may also soon seek similar aid.

Pakistan and Afghanistan have already requested 100,000 and 40,000 tons, respectively, of US emergency wheat shipments, and Nepal has indicated its desire for similar assistance. The Indian Food and Agriculture Ministry estimates that drought in North India will require imports of 2,000,000 tons of food grains over and above present stocks of 1,000,000 tons and previously planned purchases of 1,500,000 tons.

Ceylon, which is suffering drought for the third successive year in some areas, is to be supplied by Communist China with 70,000 fewer tons of rice annually under its new five-year rice-rubber agreement than under the one expiring at the end of 1957. It may also seek food aid in the future.

Australia, normally an exporter of wheat, is itself suffering a drought and will not have any export supplies. Burmese and Thai rice supplies are apparently normal, but are already committed under earlier contracts. Ceylon, which has just concluded an agreement with Burma for the purchase of 200,000 tons, may have trouble increasing the amount if needed. Canada has announced that it will help ease India's food crisis with 100,000 tons of wheat offered under the Colombo Plan.

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5. FRENCH PUBLIC'S COMPLACENCY MAY PROLONG CRISIS

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The French public seems almost entirely unaware of the implications of France's political-economic-financial crisis, and British officials in Paris believe it will take a real shock to change this attitude. The American embassy points out that, because of postwar foreign economic aid, the French parliament and public had been shielded from the first-hand experience necessary to achieve external economic balance. Foreign economic aid is virtually exhausted, and military aid is beginning to dwindle.

In view of this attitude, the National Assembly deputies are unlikely to return to Paris from the long holiday week end in their home districts under any urgent compulsion to install a new government on the terms Premier-designate Felix Gaillard seems to have in mind. Gaillard has hopes of backing up a request for a foreign loan by evidence that the French themselves are making an effort by accepting new taxes and drastic cuts in government spending.

The American embassy in Paris estimates that even with additional short-term foreign aid, external economic equilibrium will not be achieved short of an early change in certain basic policies. France must reassess its policy on military expenditures, with special reference to the continuation of Algerian hostilities, and its policy on expenditures for social welfare, expansion of industry, and atomic energy development.

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6. MALAYAN LEADERS PLAN ALL-OUT EFFORT TO SUPPRESS COMMUNIST SUBVERSION

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Top government officials of the newly independent Federation of Malaya have expressed their determination to suppress subversive activities of the local Communists, particularly in labor unions

and Chinese schools. Deputy Prime Minister Razak told the American chargé in Kuala Lumpur that the recent arrest of four leftist labor union leaders was designed to impress on organized labor that it must keep free from Communist influences, and that failure to do so will result in immediate intervention by the government. The minister of education has also stated that he will not tolerate such "nonsense" as student strikes and passive resistance to government policies in Chinese schools.

The government's campaign against Communism may lead to friction with Indonesia. Razak has flatly accused Indonesian Communists of providing funds for both the Malayan Communists and ultranationalist Malays. Both Prime Minister Rahman and Razak have also expressed deep concern over the Indonesian government's soft policies toward expanding Communist influence and its irresponsible anti-Dutch campaign for the "return" of Netherlands New Guinea.

Malayan leaders believe that strained relations with Indonesia will create serious political problems for their own government. Malaya's abstention on the United Nations vote to put the New Guinea issue on the UN agenda is already being used in rural areas of Malaya to portray government leaders as supporters of a colonial power against a friendly neighbor which has a common religious and ethnic heritage. At the same time a crackdown on the Chinese schools risks upsetting carefully developed Malay-Chinese political cooperation because of traditional Chinese sensitivity to any government action which can be construed as an attack on Chinese culture.

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7. SUDAN TO CUT COTTON PRICES

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The Sudanese finance minister informed the American ambassador in Khartoum on 31 October that cotton prices would be reduced "adequately" within the next three or four days. The ambassador comments that the resignation of Mekki Abbas, director of the Gezira Board--Sudan's chief cotton marketing agency--and the return of Minister of Agriculture Hamza Mirghani from his relatively unsuccessful attempt to sell Sudanese cotton in Europe have clarified the government's cotton position. Although the ambassador views the adequacy of the promised price cuts with some reserve, he believes that the Sudanese government "now means business."

The Sudan now has on hand about 500,000 bales of unsold cotton. Khartoum's failure to market the bulk of its cotton crop this year is largely the result of the government's belief that because the Soviet bloc purchased large amounts of Egyptian cotton, the free world would be willing to pay premium prices for Sudanese cotton. However, a world surplus of long staple cotton exists and Western buyers have purchased from other sources. While the Sudan has reduced prices somewhat, Sudanese cotton is still priced about 20 percent higher than the world price.

It is unlikely, in view of the forthcoming elections next February, that the government would make cuts large enough to move the bulk of the 500,000 bales of unsold cotton. Vague Soviet offers to purchase cotton in the context of an overall development program have not yet been seriously considered by Khartoum.

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8. BRITAIN FACES INDUSTRIAL STRIFE THIS WINTER

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The Macmillan government on 1 November rejected an independent tribunal's ruling that 32,000 workers for the National Health Service should receive a 3-percent pay raise. This adds to the growing signs that industrial strife will dominate the British domestic scene this winter.

Trade unions had already reacted sharply to the government's unusually firm insistence that further wage increases would be an intolerable addition to inflationary pressures and would imperil the pound sterling. Unions representing one third of the 9,000,000 trade union members have submitted wage demands. The government's response to the claims of the railway men, which are expected to be announced in mid-December, will be critical, for action on their annual demands usually sets the pattern throughout British industry.

The Conservative government and the Labor opposition will compete for public opinion on this issue, with the government posing as the protector of sterling and of real incomes and Labor charging the government with penalizing wage earners for an inflationary situation caused by a defective fiscal policy. According to the American embassy in London, "Whoever wins this argument presumably will win the next election."

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