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CENTRAL INTELLIGENCE AGENCY

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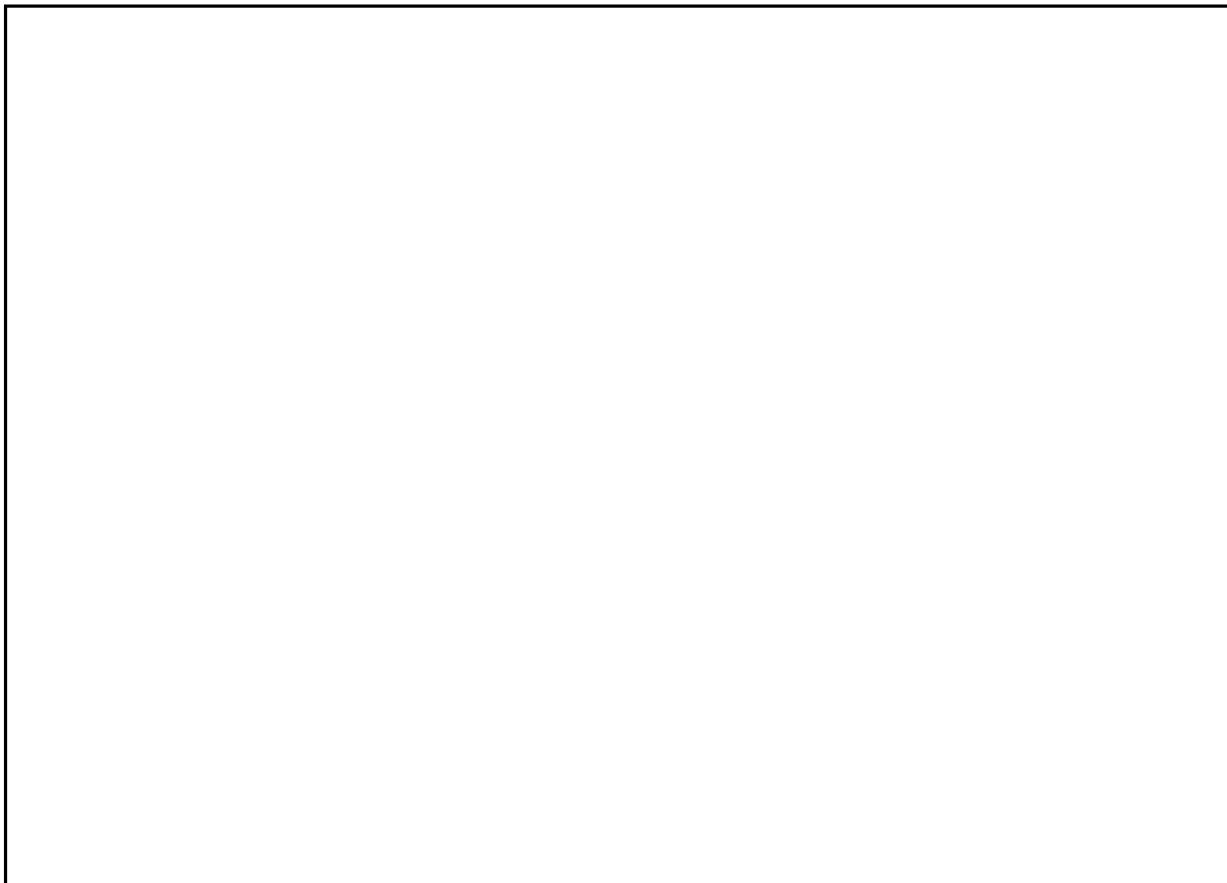
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1.



SOUTHEAST ASIA

2. Indonesian Army clique may act if prime minister resigns:

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[Redacted box] [Redacted box]
the current government crisis is far from over. Prime Minister Wilopo is not considered strong enough to lead the cabinet and may resign, particularly if any of his ministers withdraw. Should this occur, the army's "young officer clique" will attempt to fill the resulting "power vacuum."

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Comment: Both President Sukarno and Vice President Hatta believe that the cabinet, which has assumed the responsibilities of the indefinitely recessed Parliament, can be retained as constituted.

A confidant of Hatta, however, has informed the American Ambassador of the Vice President's willingness to head an emergency cabinet should Wilopo resign or fail to display leadership. Since Hatta is widely respected, his appointment would be expected to forestall action by the military.

NEAR EAST - AFRICA

3. Iraq unlikely to join MEDO without other Arab states:

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American Ambassador Berry in Baghdad states it would be difficult for Iraq to split from the other Arab states in order to participate in MEDO, as was recently suggested by Turkish Prime Minister Menderes. Berry also points out that such a separation would be inadvisable from an internal security standpoint, even though the Iraqi Regent may have shown a favorable attitude when discussing MEDO with the Turkish prime minister in London. He adds that the present caretaker cabinet is in no position to make such a decision.

According to the Ambassador, Iraq could be persuaded to use its influence to bring about a joint decision by all the Arab countries if MEDO is made sufficiently attractive. The Ambassador feels, however, that no positive Arab action can be expected unless Egypt is also willing to use its influence in favor of MEDO.

Comment: The American Ambassadors in the Arab countries recently agreed that a new approach should be made to win Arab acceptance of MEDO. These officials, and other foreign observers generally, believe that Egypt holds the key to Arab approval of the Western defense proposals.

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4. Arab countries may exclude air and sea carriers operating via Israel:

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[redacted] [redacted]
on or before 20 January 1953 the Arab countries will announce their decision to exclude from Arab airports all commercial carriers whose aircraft operate through Israel, even if only for servicing. He also hinted that all steamship companies whose ships call at Israeli ports might also be excluded from Arab countries.

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The Defense Minister further warned [redacted] that the Arab countries meant business.

Comment: This is the first report that the Arab countries have decided to enlarge their boycott of Israel. Despite periodic rumors of possible Arab settlements with Israel, no real progress has been reported. On the other hand there has been no indication that the Arabs are about to unite in implementing a drastic decision which would injure their own economies as well as that of Israel.

5. Papagos reports that Greek generals are plotting against him:

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[redacted]

Marshal Papagos told the American Embassy in Athens on 23 October that several Greek generals, including General Potamianos, the King's aide, may attempt to prevent him from taking office if his Greek Rally wins the 16 November national elections.

Papagos finds it difficult to believe such a move would be contemplated, but he has notified the Minister of Defense. He does not believe the Minister will take any effective action.

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Comment: There is no evidence directly confirming the existence of such a plot, and Papagos' assertions may have been motivated by his desire to prevent further political meddling in the army. Nevertheless, the Palace remains firmly opposed to Papagos as prime minister, and army attempts to purge pro-Papagos officers have been continual although sporadic. Papagos has made no secret of his intention, once he becomes prime minister, of removing several top army officers.

WESTERN EUROPE

6. Belgian Government considers cuts in defense budget:

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The Belgian Defense Minister fears that the current press demands for budget reductions may force the government to make cuts in defense appropriations. The American Embassy in Brussels also reports that other government officials expect such cuts in view of the government's losses in the recent communal elections.

Comment: The Belgian Prime Minister has informed the American Ambassador that approximately 12.5 percent of the planned military expenditures cannot be financed, and that the government is determined not to take any inflationary steps.

American Embassy officials believe that the government will publicize the budget so as to indicate that a US long-term loan will be necessary in order for the full amount to be expended.

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