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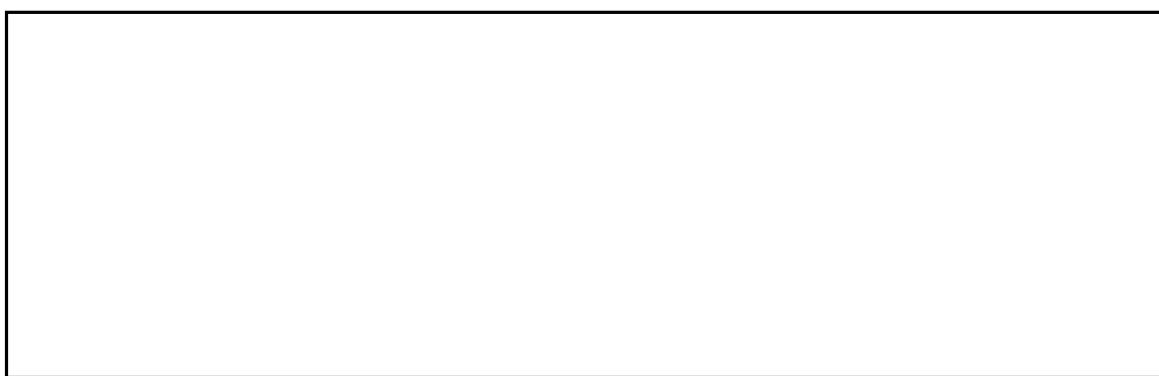
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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STATE, NAVY review(s) completed.

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SUMMARY

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FAR EAST

1. Japanese Foreign Ministry pessimistic over bargaining position at forthcoming negotiations with USSR:

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[Redacted]

Japanese Foreign Ministry officials are pessimistic about prospects for a tough Japanese bargaining position in the forthcoming Japan-USSR negotiations as a result of the designation of Arata Sugihara to head the Japanese delegation. Nemoto, head of the Soviet desk, told Ambassador Allison that he and his colleagues have been told that the ministry "must trim its sails" since the Japanese people now expect an immediate restoration of diplomatic relations with Moscow.

Nemoto said Sugihara has long advocated the immediate establishment of relations, with the territorial and other important issues to be settled later by treaty. As a result, Nemoto thinks Japan will end up by accepting only the return of unrepatriated prisoners, a vague promise of fishing rights, and free passage through the Nemuro Straits, between Hokkaido and the Kurils.

Comment: Sugihara is the prime minister's personal foreign policy adviser, and it is doubtful that Foreign Minister Shigemitsu, who has been far more cautious in dealing with the Orbit than have Sugihara and Hatoyama, will be able to restrain him.

Sugihara feels that relations with Moscow and Peiping are a prerequisite to Japan's complete "independence" from the United States. He apparently regards normalization of relations with the USSR as merely the necessary forerunner to diplomatic negotiations with Peiping and is prepared to pay a large price for it, if necessary.

2. Sino-Japanese discord over fisheries casts doubt on Peiping's "good faith":

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[Redacted]

Two members of a private Japanese fisheries mission to Peiping who returned temporarily to Tokyo for "consultation"

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have informed the Japanese Foreign Ministry that the other members of their group are being held virtually as hostages until they sign an agreement. They complained that most of the delegates wish to return home because of Peiping's unsatisfactory offers.

So far, the Chinese Communists have only offered Japan fishing rights in the eastern half of the Yellow Sea and have barred them from fishing within the two-hundred-mile limit in the East China Sea (see map, p. 5). A Japanese official told the American embassy that the delegation's experience should prove enlightening to those Japanese who thought they could do business with Peiping. (This item is based on the same cable as item one above.)

Comment: The demarcation line in the Yellow Sea area coincides with the Rhee Line and would have the practical effect of limiting the Japanese to a relatively small area off Kyushu and Okinawa.

The idea of closer relations with the Orbit has become such a fetish in Japan that it will probably take a series of similar experiences to shake popular confidence in this approach to Tokyo's problems.

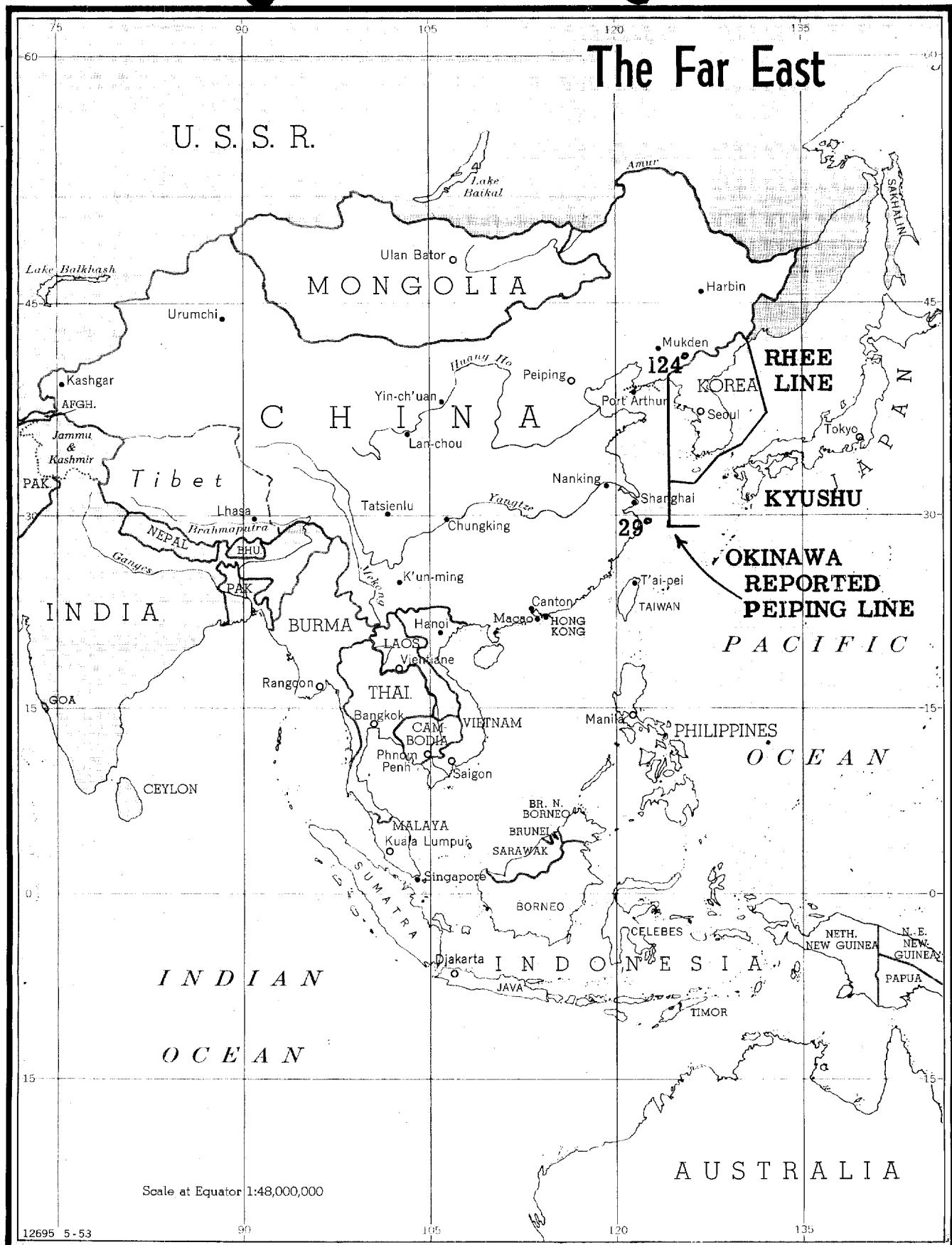
SOUTHEAST ASIA

25X1A 3. Laotian government agrees to continue talks with Communists:

Later information on the "cease-fire agreement" between the royal government of Laos and the Communist-backed Pathet Lao indicates that it provides

merely that each side shall henceforth refrain from hostile acts against the other, and that a "mixed political committee" will be formed. It is anticipated that the committee will hold talks in Vientiane to fulfill the royal government's pledge at Geneva to re-integrate the Pathets into the national community.

The American legation comments that this agreement tends to freeze the unsatisfactory status quo in the



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disputed provinces. As for the "mixed political committee," the legation recalls that even Premier Katay previously described such a device as "dangerous."

Comment: The greatest danger in the mixed political committee lies in the possibility that the Communists might turn it into a constituent assembly and use it to challenge the legitimacy of the royal government.

An earlier report that the negotiations had resulted in a "new demarcation line" in Laos was apparently inaccurate.

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5. Unusual training of Polish naval personnel possibly foreshadows receipt of Soviet warships:

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[redacted] Polish naval personnel have been receiving training aboard Soviet warships on exercises in the southern Baltic. [redacted]

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25X1C some officer personnel of "various classes and specialties" of the Polish merchant marine were called up in December for four months' training in Polish naval units; in past years the usual call-up time has been during the summer. The British Admiralty and American naval officials in London speculate that these developments may mean that the Soviet Union is planning to enlarge the Polish navy.

Comment: In time of war Orbit naval units in the Baltic would be in danger of being bottled up. If the Poles could take over the task of defending the southern Baltic, it would be possible to deploy units of the Soviet Baltic Fleet to the more strategic Northern or Pacific Fleets.

The Soviet naval construction program has been of sufficient scope to permit the turnover of a large number

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of destroyers, submarines and smaller vessels of pre-World War II design which would, nevertheless, be effective in a defensive role in the Baltic. It appears unlikely that the Poles would receive ships of the postwar construction program until the Soviet navy has been built up to its intended strength.

Since early January a large force of Soviet Baltic Fleet warships has been on exercises in the southern Baltic area. It appears possible that the exercises have been held in this area partly to co-ordinate Soviet and Polish training in anticipation of an expansion of the Polish navy.

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