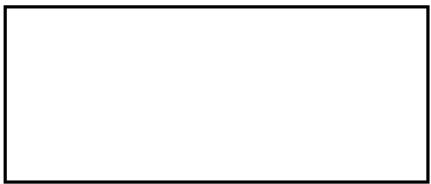


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30 November 1957

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**OFFICE OF CURRENT INTELLIGENCE**  
CENTRAL INTELLIGENCE AGENCY

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1. USSR WILLING TO SUPPLY "LATEST WEAPONS"  
TO CHINA

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Indications that the USSR has agreed to supply the Chinese with some of its "latest weapons" are contained in Soviet Defense Minister Malinovsky's speech on 27 November to the Chinese military mission now concluding its three-week stay in the USSR. He spoke of "our armies. . . armed with modern first-class weapons," and proclaimed

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willingness to "transmit our experience in the building up of armed forces to our Chinese friends."

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On 29 November, Malinovsky told reporters that the Chinese "can make all the weapons they want themselves!"

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While it is unclear what kinds of weapons might be involved, supplying advanced weapons whether nuclear or not would require the presence in China of considerable numbers of Soviet advisers and technicians. Chinese Defense Minister Peng Te-huai's reply to Malinovsky, however, suggests that Peiping does not want to depend for an indefinite period on Soviet advisers and may insist on its right to ultimate control of the new weapons. Peng declared that the Soviet military "example" will be applied "in accordance with the concrete conditions of the Chinese army."

Peng has invited Malinovsky to make a visit to Communist China.

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### 3. OUTLOOK FOR FRANCE'S ALGERIAN POLICY

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The French National Assembly's approval of the basic statute for the administration of Algeria gives Premier Gaillard a breathing spell, but is unlikely to resolve any of the fundamental issues of the conflict. The basic law itself has been delayed and watered down at the expense of the advantageous effect it might have had on the French public as well as the Algerian Moslems.

The French public has recently become convinced that the military situation in Algeria has definitely developed in France's favor. Once the UN debate on Algeria is over, the government will probably be under renewed pressure to stiffen its position and to step up the drive for a complete military victory.

If French military control of the situation becomes clearly evident, France will be obliged to begin implementing the basic statute by holding elections, which subsequently would raise the question of discussions with "elected representatives" of the Algerians. In any case the existence of the basic statute may serve to move Paris to take some steps toward negotiations with the Algerian nationalists in the next few months. If hopes for a complete military victory lead Paris to postpone application of the basic statute, however, the government will be increasingly vulnerable to attack by the growing minority, symbolized by Mendes-France, which favors a more liberal solution. A prolonged military stalemate would strengthen proponents of negotiations with the rebels.

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**4. THE SITUATION IN IFNI**

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[Redacted]

Fighting between Moroccan Army of Liberation irregulars and reinforced Spanish forces apparently continues in the area of Ifni, Spain's 741-square-mile enclave along Morocco's Atlantic coast. Reports from Madrid and Rabat present widely varying accounts of developments in the region, but Spanish troops appear to be generally in control within the enclave. Some violations of Moroccan territory by Spanish aircraft operating in support of ground units have been reported out of Rabat. This suggests the possibility of future clashes with Moroccan regulars who have been instructed to oppose any Spanish incursions.

Moroccan officials deny the Spanish version which attributes the trouble to Army of Liberation elements beyond Rabat's control and insist that the events in Ifni represent a local popular uprising precipitated by Spanish "provocations."

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**7. LAOTIAN GOVERNMENT ACTS TO CHECK SUBVERSION**

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The Laotian government is taking some steps to meet the threat of increased Pathet subversion and to check on Pathet efforts to evade fulfillment of commitments made under the recent settlement accords. Prime Minister Souvanna Phouma has ordered an anti-Communist propaganda campaign throughout Laos and the infiltration of 200 police into each of the two northern provinces to man frontier access posts and other key spots.

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However, there are indications that the Pathet representatives in the Laotian cabinet, Prince Souphan-nouvong and Phoumi Vongvichit, are already wielding influence approximating a veto over some government decisions relating to the implementation of the settlement accords. At a cabinet meeting on 25 November, they succeeded in blocking the appointment of two apparently well-qualified leaders as governor of Sam Neua Province, finally agreeing to the selection of a nonpolitical technician who is allegedly related to Phoumi and may, therefore, be susceptible to Pathet influence.

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## 8. DEMAND DEVELOPING FOR NEW INDONESIAN CABINET

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Pressure for a new Indonesian cabinet appears to be building up in the National Reconstruction Conference now meeting in Djakarta. Non-Javanese elements are supporting a resolution, presented by the West Borneo delegation, for the formation of a new cabinet either jointly led by President Sukarno and former Vice President Hatta or by Hatta alone. Important civil and military elements in West Java apparently also favor such a step. Hatta, who is cochairman of the conference, has ruled that the resolution will be discussed after the current general debates are concluded.

Although regional leaders have been disappointed in Hatta in recent months, they still believe that as a top government leader he would represent regional interests and obstruct Communist influence in the government. Most Javanese army elements, while they do not share the dissident leaders' enthusiasm, would support Hatta as a cabinet leader. Javanese army commanders seem to want a new cabinet in order to prevent the implementation of a bill which would limit the army's emergency powers.

Premier Djuanda has indicated that he is prepared to resign at any time in the interest of promoting national unity, and Sukarno's acceptance of Hatta as head of a non-Communist cabinet would constitute his first significant concession to the disaffected provincial leaders. The preponderance of recent reporting, however, indicates that Sukarno and Hatta are still far apart on such matters as Communist participation in the government.

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**10. KISHI VISIT TO INDONESIA ACHIEVES  
REPARATIONS AGREEMENT**

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[Redacted]

Japanese Prime Minister Kishi and Indonesian Premier Djuanda announced upon Kishi's departure for Australia that they had reached basic agreement for settling the long-pending reparations problem. Such an agreement was the major objective of Kishi's current Asian tour and is an important element in Japan's drive to establish closer economic relations with Asian countries.

The final agreement, which Djuanda said would probably be announced after two or three meetings, is expected to cancel Indonesia's \$170,000,000 trade debt to Japan and commit Tokyo to reparations grants of \$230,000,000. The Japanese also would extend long-term loans. All provisions are subject to approval by the respective parliaments.

Kishi and Djuanda impressed each other favorably during their discussions, and Ambassador Allison believes that normal diplomatic relations between Tokyo and Djakarta can be expected as a result. The two heads of government apparently did not discuss the possibilities of an Asian development fund.

Japan already has reached reparations settlements with Burma and the Philippines and requires only an agreement with South Vietnam to end its major reparations problems.

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## 11. MALAYAN FEDERATION GOVERNMENT SUFFERS SIGNIFICANT DEFEAT IN BY-ELECTION

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The ruling Alliance party in Malaya was decisively defeated by the left-wing People's Progressive Party candidate on 23 November in a federal legislative council by-election in the tin-mining center of Ipoh. The results probably forecast the development of an increasingly effective left-wing opposition in Malaya and represent a serious threat to the carefully developed Malay-Chinese political cooperation on which the Alliance is built and political stability in Malaya depends.

The victorious candidate, D. R. Seenivasagam, secretary general of the People's Progressive Party, is a London-educated lawyer of Ceylonese extraction who exploited Chinese fears of Malay domination and interpreted government efforts to control subversion in Chinese schools as an attack upon Chinese culture. The weak showing of the government candidate, a Chinese, in a predominantly Chinese district demonstrates the appeal of this type of attack and indicates increasing distrust of the government on the part of the Chinese population.

Continuing Chinese student demonstrations against the government suggest that further and possibly more serious interracial friction can be expected. Chinese suspicion of government actions will greatly complicate the federation's efforts to control subversion among Malaya's large Chinese minority.

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