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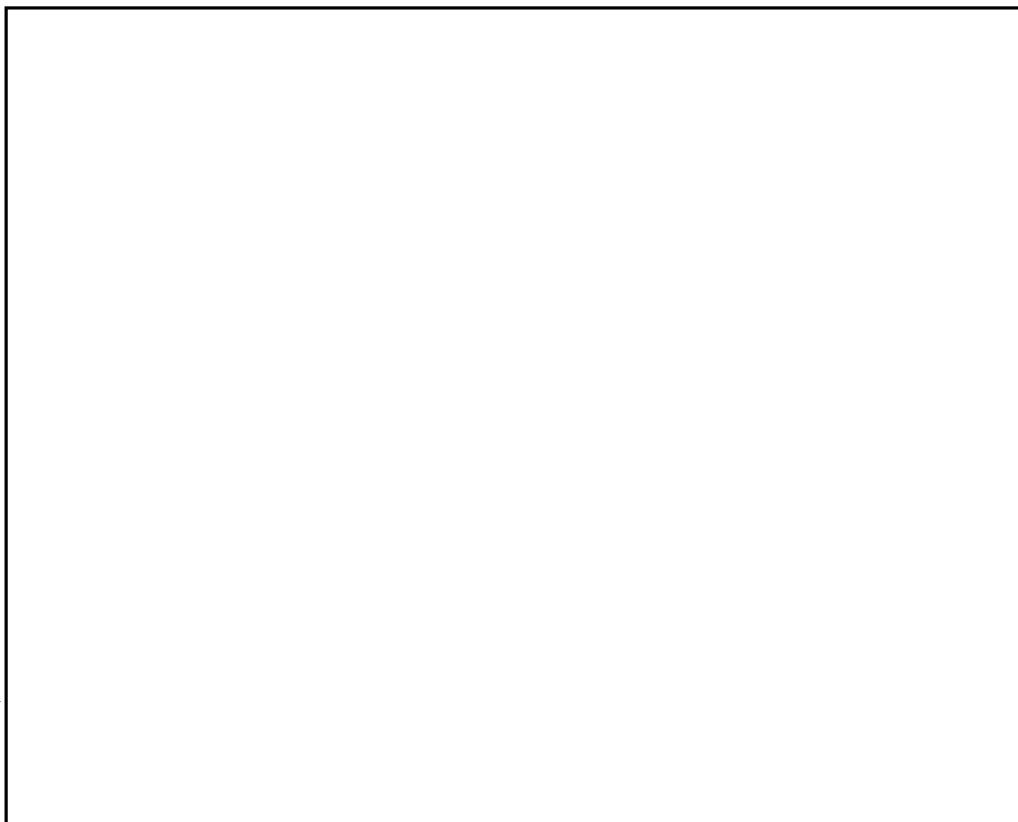
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3. TIGHTENING OF CONTROLS IN EAST GERMANY

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Various recent reports indicate that the East German Communist regime is about to launch a strong campaign against opposition elements to be accompanied by a tightening of security controls in East Germany and Berlin. The presence in East Berlin on 25-28 November of Soviet Deputy Foreign Minister Zorin, ostensibly to conclude agreements concerning legal aid and emigration, could have been related to these developments.

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As peripheral benefits, the East Germans probably hope to restrict greatly the refugee flow to the West and control currency smuggling.

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Ulbricht's attacks on liberal elements at the central committee plenum of the Socialist Unity Party in October, had convinced some people that a witch hunt within the party was imminent. Such a purge would be in line with the new repressive policies believed to have been established at the 34th plenum on 27-29 November. Under these policies travel between East Germany and East and West Berlin is to be strictly controlled. The purge of the editorial staff of one of Berlin's

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principal party papers on the eve of the 34th plenum is a further indication that a harder course is being adopted. The paper, the Berliner Zeitung, had been vigorously attacked by Ulbricht at the 33rd plenum.

These steps could presage often-threatened Communist actions to restrict Western access to West Berlin. An imposition of such restrictions at this time might become the basis for a Communist propaganda campaign--to coincide with the upcoming NATO meeting--to have the German problem discussed at a summit conference at some time in the future.

[Redacted]

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4. ATTEMPTED ASSASSINATION OF PRESIDENT SUKARNO

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The attempt on Indonesian President Sukarno's life on 30 November may have been carried out by any one of several disgruntled elements, including the Darul Islam--a fanatic Moslem group fighting the government for the past eight years--supporters of the disaffected regional leaders, and some Javanese factions who oppose Sukarno's political and economic policies.

Coming on the heels of Indonesia's setback in the UN on the West Irian issue, the attack will almost certainly widen the breach--perhaps irrevocably--between Sukarno and those who are opposed to his policies. In any event, the prospects for success of the current national reconstruction conference, never bright, now appear almost nil.

The Communists can be expected to exploit the incident to improve further their relations with the President. In this effort they will undoubtedly charge that the assassination attempt was instigated by the Dutch, or by disaffected Indonesian elements working at the behest of the "imperialists." Finally, the Communists will play to the hilt the fact that most of the victims of the attack were small children, women and other innocent bystanders.

While extensive security precautions have been taken in Djakarta, the possibility of further violence cannot be ruled out, either as a result of fresh attacks on Sukarno and other government officials or retaliatory action. In this connection, former Vice President Hatta may be in some danger. Sukarno's partisans, particularly the Communists who consider Hatta one of their chief antagonists, may take physical action against Hatta on the ground that he, as a rallying point for opposition to Sukarno's policies, may have been involved.

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5. INDONESIA RETALIATES QUICKLY AGAINST DUTCH
FOLLOWING UN VOTE

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[Redacted]

Indonesia was quick in taking discriminatory measures against the Dutch, following the UN's rejection of the West Irian resolution. A 24-hour general strike against all Dutch firms is set for 2 December, and all KLM flights into Indonesia have been banned.

The secretary general of the Indonesian Foreign Ministry stated, following Friday's adverse vote, that the government had "prepared measures and steps," and further retaliation probably is planned. The government-sponsored West Irian Liberation Committee has recently been enlarged by the addition of the ministers of justice, labor affairs, veterans affairs, and manpower mobilization.

The most likely possibilities are additional economic sanctions against Dutch firms, including the progressive nationalization of Dutch enterprises which have a value of \$1.5 billion. Djakarta may also follow through on its threat to sever diplomatic relations with the Netherlands and to accept bloc arms. Any of these courses would have the enthusiastic support of the local Communists and would serve to identify President Sukarno even more closely with their aims.

The possibility of limited military action in West Irian cannot be ruled out. This would most probably take the form of guerrilla activities carried out by police and army elements said to have been alerted and trained for such use.

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6. STRIKE TALKS FAIL IN CEYLON

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Ceylonese Prime Minister Bandaranaike departed on 1 December for a Commonwealth Parliamentary Conference in New Delhi, leaving behind a critical strike situation which has necessitated the calling out of military forces. In attending the conference, Bandaranaike may either be fleeing from a decision which he normally should make or be misjudging the importance to Ceylon's stability and his own position of a strike settlement.

Talks over the weekend between the government and Ceylonese labor leaders apparently did not result in a satisfactory solution of labor's demands for higher wages. On 1 December, 19 unions were reported on strike and 27 others were threatening to join them. On the advice of Justice Minister C. P. De Silva, acting head of government in Bandaranaike's absence, Governor General Sir Oliver Goonetilleke called out the army and navy to distribute food, provide transport, run the sewage system, and man fire and ambulance services.

Bandaranaike, a proponent of compromise and delay, when faced in the past with Tamil and Buddhist agitation, has successfully avoided crises by temporary expediences. In the present case, however, he and his government cannot long delay settlement of economic grievances which are paralyzing Ceylon's capital and may spread to provincial workers. Ceylon's economy is not sufficiently healthy to permit general wage increases without producing other complications possibly equally difficult to solve.

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7. JAPAN INITIATES PLANS FOR ECONOMIC DEVELOPMENT OF SOUTHEAST ASIA

[Redacted]

Japanese Foreign Minister Fujiyama is planning a \$15,000,000 budget and the organization of a special economic co-operation bureau responsible for all aspects of Southeast Asian development beginning with the new fiscal year in April, Ambassador MacArthur reports from Tokyo. Under this plan, \$1,500,000 would be set aside for an Asian Economic Development Project Consulting Center to draft overall plans, and the remainder would be reserved particularly for developmental projects of small- and medium-sized industries.

In an effort to overcome the suspicions of underdeveloped Asian countries, an additional \$5,000,000 is proposed for participation in the Colombo Plan, in the UN's Economic Cooperation for Asia and the Far East (ECAFE), and in other international projects for economic assistance. MacArthur comments that while these preliminary plans are certain to encounter stiff Finance Ministry opposition, it is very likely that the Japanese budget in 1958 will reflect at least some of these proposals.

Comment Despite a heritage of distrust in Southeast Asian countries, Japan is becoming increasingly attractive as a source of industrial materials and a market for raw materials. Japan, on the other hand, is concentrating on this area to secure markets and sources of raw materials. Apparently Japan is willing to undertake regional development alone if outside assistance is not forthcoming.

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8. VIOLENCE INCREASING ON CYPRUS

[Redacted]

Increased violence, including serious sabotage, is approaching the tempo prior to the truce last March, according to British Acting Governor Sinclair, who claims that he is only withholding countermeasures "of the severest nature" in order to salvage something from current international initiatives. It is the considered belief of American and British officials on Cyprus that trouble will continue to grow "in snowball fashion," jeopardizing indefinitely any possible compromise, unless the Greek government exerts its influence to curb the Greek Cypriot leaders.

Recent statements by Greek Cypriot leaders call for a "fight to the end" if the forthcoming UN debate on Cyprus fails to satisfy Greek Cypriot claims and have warned of "total war" against the British if the United Nations fails to resolve the Cyprus problem. EOKA leader Grivas has called on all Greeks to unite behind Archbishop Makarios. Unless the UN General Assembly passes a resolution acceptable to the Greek Cypriots, a resumption of open warfare between EOKA and the British security forces will probably follow the UN debate now scheduled for early December.

Meanwhile, the formation of a "Turkish Defense Organization in Cyprus" has been announced to defend the interests of the Turkish minority. The Turks apparently intend to broaden their measures to counter Greek violence.

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9. NEW ZEALAND ELECTIONS

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The Labor party's victory by a narrow margin in New Zealand's general elections apparently resulted primarily from its effective exploitation of danger signals in the national economy and promises of more lenient welfare and tax policies. Although New Zealand is enjoying general prosperity, the incumbent National party was heavily criticized for rising prices, the credit squeeze, difficulties in marketing agricultural exports, and the drain on exchange reserves caused by heavy private imports.

In the field of foreign policy, the National and Labor parties have pursued a bipartisan course on most major aspects. Both have stood for close cooperation with the United States on defense matters. Labor, however, advocates recognition of Communist China and its admission to the United Nations. In this it has demonstrated its closer affinity to the UK and can be expected to promote closer ties with Britain than the National administration. The Labor party also advocates a suspension of nuclear weapons tests and a de-emphasis of the military aspects of SEATO.

The Labor government is likely to be dominated by the party's doctrinaire socialist leader, the active, 75-year-old Walter Nash, who will probably be external affairs or finance minister as well as prime minister.

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