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II. ASIA-AFRICA

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UAR: Postponement of the issuance of a unified currency for Egypt and Syria, previously set for 1 July, may reflect Cairo's reluctance to make this controversial move so close to UAR National Union elections, which began on 8 July. Egyptian officials claim that concern over Syrian resistance to the currency merger played no part in the delay which they attribute to the lack of a unified bank. The new currency may be issued in the near future, however, to take advantage of the appearance of unity created by the present elections.

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Indonesia: The army has been given two key posts in Sukarno's new 10-man "nucleus cabinet," which is otherwise composed largely of technicians. There are only two leftists in the cabinet, but they are non-Communist. It is possible, however, that other leftists will be included when the deputy ministers are named. For the first time since 1949, no prominent Moslem party leader is included. The cabinet's grandiose program includes the supply of adequate consumer items for the people, re-establishment of security, and the "struggle against imperialism in West Irian" (Dutch New Guinea).

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Ceylon: Prime Minister Bandaranaike's government on 8 July survived by a 50 to 41 vote its first test in Parliament since leftist members of his coalition withdrew. Several

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opposition members, including the Communists, abstained, presumably to avoid forcing elections at this time. While Bandaranaike thus has time for further maneuvering in an effort to strengthen his position, the government remains in a precarious position. The firm action taken in the past few days to deal with leftist strike activity appears to have blunted the immediate threat to Bandaranaike's position from this direction.

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III. THE WEST

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Haiti: Believing that incursions into Haiti by Cuban-backed rebels are imminent, Foreign Minister Mars on 8 July officially asked US help, in the form of air and sea patrols, to preserve Haiti's "neutrality and territorial inviolability during the present Caribbean crisis." Haiti is aware that any Cuban-backed landing would probably precipitate military intervention by the Dominican Republic. The Haitian Army chief of staff has admitted privately that his country is virtually defenseless against any invasion attempt.)

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Britain: The rejection of the Labor party's moderate nuclear disarmament policy by Britain's largest union is a threat to Labor party unity. It may also put further pressure on the Macmillan government to achieve a test-suspension agreement. In view of the radical resolution passed by the Transport and General Workers' Union on 9 July, calling for the UK permanently to renounce missile bases, cease nuclear tests, and end production of nuclear weapons, Gaitskell and Bevan face difficulty in getting their recently adopted policy endorsed by the early October party conference. They may accept further compromise to avoid an open party fight in advance of the general elections expected this fall.)

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6K
Finland: In an interview prepared for Radio Moscow, Finnish Communications Minister Kleemola implied that Finland supported Khrushchev's anticipated efforts during his

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Scandinavian tour next month to press for the creation of an alliance-free, neutral Nordic bloc. Kleemola's action was almost certainly undertaken with the knowledge and consent of President Kekkonen, if not at his advice. It may be intended to curry favor with Moscow in the hope of persuading the USSR to acquiesce in Finland's participation in the proposed little free trade area consisting of Britain, the Scandinavian countries, and certain other nonmembers of the Common Market.

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LATE ITEM

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New UAR Currency Issue Postponed

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[Postponement of the issuance of a unified currency for Egypt and Syria, previously set for 1 July, may reflect Cairo's reluctance to make this controversial move so close to the 8 July UAR National Union elections. The new currency may be issued in the near future, however, to take advantage of the appearance of unity created by the elections. The existence of separate currency systems in Egypt and Syria has been a major barrier to rapid economic integration of the two regions.]

[The Syrian business community has been uneasy in recent months at the prospect of replacement of the relatively hard Syrian pound with a unified UAR currency. Syrian businessmen feel such a move would accelerate Egyptian economic domination of the Syrian economic scene and result in fairly serious losses to holders of Syrian currency. In an effort to stave off a flight of Syrian capital, UAR officials have publicly denied plans to implement a new "dinar" currency.]

[Egyptian officials claim that concern over Syrian resistance to the currency merger played no part in the delay, which they attribute to technical difficulties due to the lack of a unified central bank. The Syrian business community is politically impotent, and no effective opposition to the currency merger is likely to develop.]

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[] 15,006,500 new "dinar" notes with a nominal value of \$214,452,000 have been printed by a British firm. These now are stored in Cairo.
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New Indonesian Cabinet Marked by Increased Army Influence

The installation of Sukarno's new presidential cabinet on 10 July leaves Indonesia's national leadership relatively unchanged. The trio which in fact has led Indonesia over the past two years--President Sukarno, Army Chief of Staff General Nasution, and Prime Minister Djuanda--has emerged with strengthened powers. The cabinet is distinguished principally by the increased political role of the army and the reduction of voting members from 27 to 10.

Sukarno's so-called "nucleus cabinet" is led by nonparty Dr. Djuanda, now designated "first minister" since Sukarno himself heads the cabinet. Djuanda will also serve as finance minister. Nasution has been given the defense portfolio; it has not been announced whether he will resign as army chief of staff or will hold the two posts concurrently. Foreign Minister Subandrio retains his portfolio. Of the remaining six posts, one is held by the army and another probably controlled by it, two are held by non-Communist leftists, and two by reasonably capable but politically insignificant non-Communists. Only one minister has not previously held a cabinet post, and all but two are holdovers from the previous government.

Seven *ex officio* ministers of state, who include the three chiefs of staff, the police chief, and three high civilian officials, may attend "plenary" cabinet meetings but will not have a vote. Yet to be announced are a group of deputy ministers whose political orientation and extent of responsibility may change the complexion of the cabinet.

The streamlined cabinet and its program indicate that an attempt will be made to cope with Indonesia's most immediate problem--that of economic deterioration. At least five cabinet posts are directly involved with the economic situation. The three-point program includes the adequate supply of consumer items for the people, the establishment of security, and the continuation of the "struggle" for West New Guinea. There is little indication that any effective economic remedial action is possible within the near future. Nevertheless, Sukarno's reinstatement of the 1945 constitution and his formation of a new cabinet may partially restore popular confidence in the government.

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Bandaranaike Wins Test in Ceylonese Parliament

Prime Minister Bandaranaike's government on 8 July survived its first test in the Ceylonese Parliament since leftist members of his coalition withdrew two months ago, but its position is still precarious.

All 50 of the government representatives apparently voted against the censure motion, while eight of the 49 opposition members abstained or were absent. These members--who included Communists and Communist sympathizers--presumably wanted to avoid forcing elections which probably would result in considerable gains by rightist elements.

The firm action taken by the government during the past few days to deal with leftist strike activity appears to have blunted the immediate threat to Bandaranaike's position from this quarter as well. Bandaranaike has precipitated a showdown with the Trotskyite Lanka Sama Samaj party (LSSP), which controls the most powerful unions and has threatened a general strike, by refusing to negotiate with LSSP Colombo port workers until they return to work and by recruiting a "volunteer" force to replace them.

His parliamentary victory over the combined opposition, coupled with growing public resentment of prolonged strike activity, should strengthen Bandaranaike's hand in dealing with labor agitation. The government's effort to recruit a 5,000-man emergency labor force to maintain essential services during strikes has met with a quick response, 12,000 persons having applied with a few days.

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III. THE WEST

Haiti Fears Cuban Invasion

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[Confronted with continuing reports of "imminent" Cuban-backed incursions, the Haitian Government on 8 July officially requested US aid in maintaining Haiti's "neutrality and territorial inviolability during the present Caribbean crisis." The note specifically stated that Haitian port and airport facilities would be made available for patrol purposes. Haitian officials previously have made several similar requests.]

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[new expeditions are being planned in Cuba against Dominican dictator Trujillo via Haiti. The Duvalier government, itself the target of revolutionary plotting by exile groups, may fear that such incursions might provide impetus to an anti-Duvalier outbreak and precipitate Dominican military intervention.]

[The Haitian chief of staff has admitted [redacted] that the country is virtually defenseless against any invasion attempt. The armed forces, numbering little more than 5,000, are handicapped by inadequate arms and ammunition, and the air force had to cease training on 1 July because of lack of spare parts and ammunition. The loyalty of the armed forces to the Duvalier government, in question during most of Duvalier's more than two and a half years in office, may be strengthened by the threat of external invasion.]

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British Labor Party Faces Serious Split on Nuclear Policy

The rejection of the Labor party's revised and more moderate policy on nuclear disarmament by Britain's largest union is a threat to party unity. It may also put further pressure on the Conservative government to achieve a test-suspension agreement.

[On 9 July the 1,300,000-member Transport and General Workers' Union, acting on the advice of leader Frank Cousins, overwhelmingly passed a resolution calling for permanent cessation of both the testing and production of British nuclear weapons. The resolution also called for the outright rejection of missile bases in Britain. This vote, following last month's similar resolution by the General and Municipal Workers' Union and the "non-nuclear club," compromise worked out by the Labor party only two weeks ago, is a serious blow to the Gaitskell-Bevan leadership. It jeopardizes Labor leaders' hope of obtaining an endorsement of their more moderate policy by the party conference in early October.]

[The Labor party is threatened with the most serious crisis since 1954 when it split on the German rearmament issue. Since the October conference will probably be taking place on the eve of the general elections, Gaitskell and Bevan may be under considerable pressure from right- as well as left-wing Laborites to make a further tactical shift. The stand of the two powerful and heretofore most moderate trade unions could be a persuasive argument that a more radical Labor nuclear policy would be potent vote-getter in the general elections.]

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Finnish Official Urges Khrushchev to Promote Nordic
Neutrality

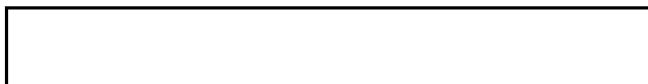
In an interview prepared for Radio Moscow, Finnish Minister of Communications Kauno Kleemola stated that Finland would be pleased if Khrushchev's visit to Scandinavia next month increased mutual confidence between the Nordic countries and the USSR and resulted in closer foreign policy co-operation among the Nordic countries. This is tantamount to suggesting that Khrushchev press Norway and Denmark to revise their NATO ties.

Kleemola is one of President Kekkonen's closest confidants in the Agrarian government, and the US Embassy assumes he spoke with Kekkonen's full knowledge and endorsement. Kleemola's favorable comments on Nordic unity voice the interest of many Finns, including the President, in the formation of a neutral Nordic bloc. Foreign Minister Toerngren told a group of Finnish journalists on 10 May that it would be a great advantage to Finland if the whole Nordic area remained outside the field of great-power tensions.

The interview appears to put Finland in the role of promoting Soviet foreign policy objectives among the Scandinavians. Kekkonen may in fact be responding to Soviet suggestions, but it is more likely that the Finns are seeking to curry favor with the USSR in order to obtain its acquiescence to Finnish participation in a proposed free trade area consisting of Britain, the Scandinavian countries, Portugal, and Switzerland. Finland has shown interest in this project, believing that it cannot afford to remain outside if it is to preserve the competitive position of Finnish exports in Western markets. The Finns, however, would not be inclined to join directly or indirectly in the face of Soviet opposition.

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