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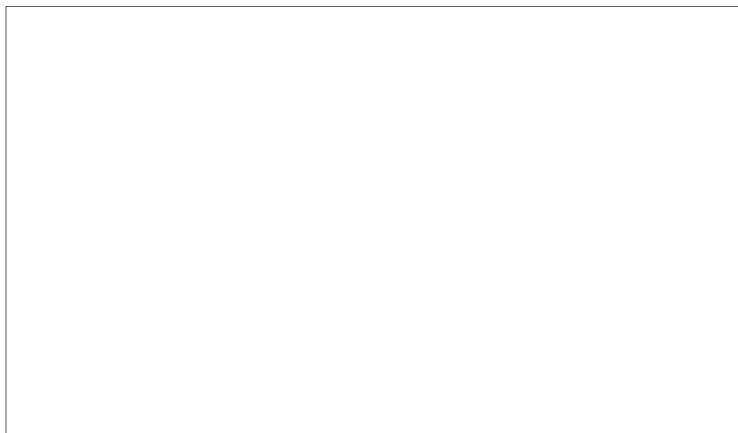
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1. MOSCOW EMBASSY COMMENTS ON NEW SOVIET TRAVEL REGULATIONS

Reference:

The American embassy in Moscow regards the modification of travel rules for foreigners in the USSR as a considerable improvement for embassy officers engaged in political, economic and sociological reporting. Service attachés, however, now are to be excluded from a number of interesting points in the Leningrad area.

The new regulations, set forth in a note delivered to the embassy on 30 August, open to foreign travel a number of smaller cities and points in the Moscow region, Irkutsk in Central Siberia, and several cities which were not part of the prewar Soviet Union--the Latvian capital Riga, and Lvov, Chernovtsy, and Uzhgorod in the western Ukraine. At the same time, various districts or points in widely scattered areas of the country were placed on the forbidden list, including several districts about 30 miles from Moscow, the western portions of Leningrad Oblast, the region surrounding Frunze in the Kirgiz Republic, and parts of the Kazakh Republic.

In the embassy's opinion, the Soviet move was not prompted by propaganda considerations but by a desire to serve domestic security interests while improving the atmosphere between the regime and foreign diplomats by eliminating vexatious restrictions which are probably no longer essential on security grounds.

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2. JAPAN OUTLINES PLANS FOR CHINA TRADE EXPANSION

[Redacted]

Japanese Foreign Minister Fujiyama on 30 August handed Ambassador MacArthur an outline of Tokyo's reasons and plans for expanding trade with Communist China.

The plans call for expanding trade within the framework of the China Committee control agreements and for an exchange of permanent "trade offices" which would not have official status.

Fujiyama said that internal political considerations make it impossible for the government any longer to repress the demands of business, the press, and public opinion in general for increasing such trade. He added that, while the significance of the mainland Chinese market is not overestimated by his government, it is a large market and an important source of industrial raw materials for Japan.

Comment Press reports from Tokyo indicate that, for at least five members of the proposed Chinese "trade office," Japan will waive fingerprint requirements, which the Chinese Communists have used as the basis for refusal to exchange representatives. Peiping now may insist that the requirements be waived for all its trade representatives and that they be accorded official status.

A Japanese trade delegation is scheduled to begin discussions in Peiping in mid-September for an agreement calling for annual trade in the amount of \$90,000,000 each way. This figure is \$10,000,000 more than goals established in previous private agreements. Japan has been unable to reach its export goal in the past, but hopes that its recent relaxation of the China differential trade embargo and the plans outlined by Fujiyama will make such achievement possible.

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3. DOMINICAN REPUBLIC STEPS UP ACTIVITY TO INFLUENCE GUATEMALAN ELECTION

Comment on:

Agents of Dominican dictator Trujillo are attempting to prejudice the politically powerful Guatemalan defense minister, Colonel Juan F. Oliva, against former supreme court chief justice Mighuel Ortiz Passarelli, the presidential candidate already agreed upon by Guatemalan administration and army leaders. Trujillo's objective is apparently the establishment of a strong rightist dictatorship in Guatemala, either through a coup by top officers or by persuading army leaders to assure the "election" of a rightist in the 20 October presidential election.

Dominican tactics have included a private warning to the defense minister on 30 August of an impending leftist "plot" to kill him and seize power. Though there may be some leftist plotting, it is believed that this Dominican warning, which is likely to be repeated, is designed primarily to convince army leaders that a strong rightist government is necessary.

The Dominicans have a strategically placed tool in Colonel Enrique T. Oliva, the defense minister's ambitious half-brother and chief of Guatemalan intelligence. Enrique has been working with the Dominicans for some months, but this connection reportedly is not known to his brother, who regards him highly.

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4. SPANISH CABINET MINISTERS FORESEE CIVIL DISTURBANCES IN OCTOBER

Spanish Foreign Minister Castiella and Commerce Minister Ullastres have told Ambassador Lodge that Spain's economic problems will probably have political repercussions during October. Ullastres expects strikes, student demonstrations, and general disturbances over bus fare hikes and other price rises.

The commerce minister acknowledged that his program to reduce consumer demand and encourage savings is running counter to an increasing desire for a higher living standard. However, he rejected the idea of encouraging foreign investment to strengthen the country's economy, maintaining that Spanish businessmen would be unable to compete with large foreign companies.

Comment Though the ministers' expressions of concern are in part due to Spain's desire for additional American financial assistance, there is ample evidence of the government's failure to hold the line on rising living costs. A fare boost in early 1957 triggered transportation boycotts in Barcelona and Madrid and violent demonstrations by university students.