

TOP SECRET



2 August 1957



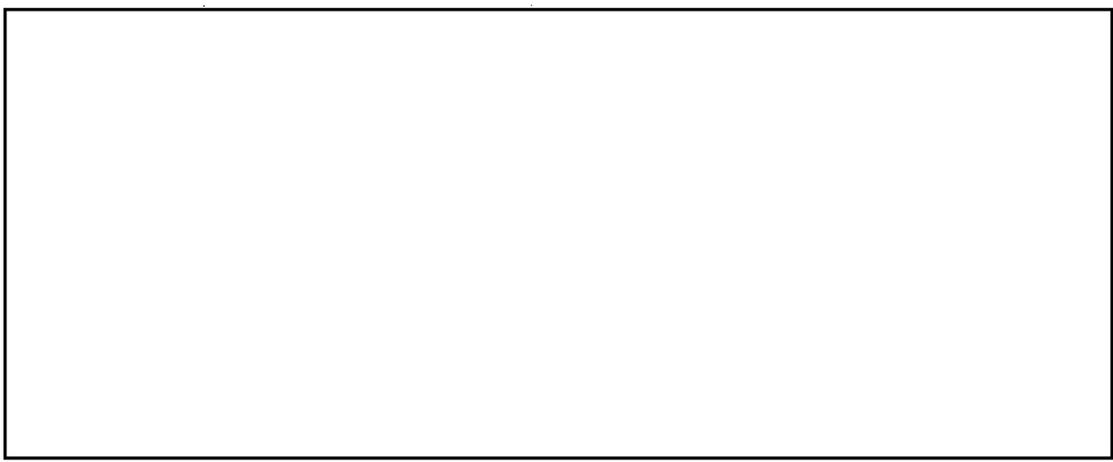
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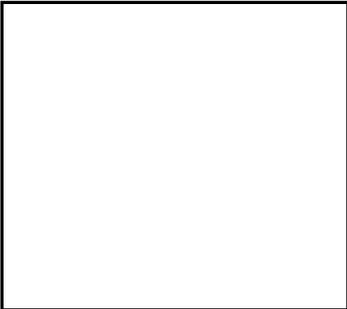
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2. JAPANESE TECHNICAL ASSISTANCE FOR ASWAN DAM

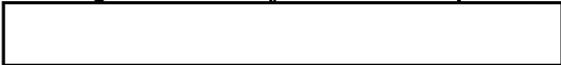
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An official of the Japanese embassy in Cairo has confirmed that Japan is interested in supplying technical assistance and equipment for the Aswan high dam. Egyptian President Nasr has told the Japanese that he would pursue the matter through diplomatic channels.

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Economic Planning Board director Ichiro Kono stated on 31 July that the Japanese government is prepared to extend technical assistance to Egypt for construction of the dam, but added that a shortage of foreign currency reserves precludes further participation.



3. KISHI'S PLANNED POLICIES OUTLINED



The government of Japanese Prime Minister Kishi will soon initiate a broad domestic and foreign program to provide a more substantial basis for the continuation of conservative rule and to place Japan in firmer alignment with the free world, according to Ambassador MacArthur.

Kishi's "economic diplomacy" will seek early settlement of remaining reparations obligations, cooperative development of Southeast Asia, and increased exports including a gradual expansion of trade with Communist China.

Domestically, a greater effort will be made to fulfill the five-year plan for defense build-up, and the development of atomic power for commercial use will be accelerated. The projected labor program will be designed to undercut leftist labor strength which forms the basis of Socialist Party support.

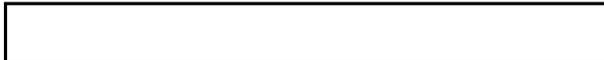
In foreign affairs, the Kishi government is counting on the American-Japanese intergovernment committee to review the security treaty and on obtaining a Security Council seat at the United Nations General Assembly session this fall.

4. REBEL ACTIVITY IN CUBA PROMPTS SUSPENSION OF CONSTITUTIONAL GUARANTEES



Cuban President Fulgencio Batista suspended constitutional guarantees on 1 August after a general strike paralyzed economic activity in Santiago de Cuba, the island's second largest city and center of opposition activity in rebel-infested Oriente Province, and fighting between government troops and the forces of rebel leader Fidel Castro Ruiz broke out in the Sierra Maestra. The rebels reportedly attacked and burned a rural guard headquarters and an army barracks and dynamited several bridges.

This is the fourth time since Fidel Castro landed on the southern coast of Oriente Province last November that the government has suspended constitutional guarantees in an unsuccessful effort to curtail terrorism and opposition activity.



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**6. LEADER OF WEST GERMAN DELEGATION TO MOSCOW
RECALLED AS TALKS HIT SNAG**

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<p>The West German embassy in Moscow has doubts about the future of the Soviet-initiated trade and repatriation talks because of the tough line taken by the Soviet negotia-</p>		

tors. Nevertheless, the obvious propaganda value that would accrue to the USSR from expanded trade and cultural relationships with West Germany will probably lead the USSR to relax its position and offer to negotiate repatriation on the basis of individual cases.

The West Germans have made a trade agreement conditional on a repatriation agreement, but at the second meeting the head of the Soviet delegation said there was no point in further discussion of repatriation. As a result, Ambassador Lahr, leader of the German delegation, was recalled to Bonn on 31 July for consultation with Foreign Minister Brentano and other Foreign Ministry officials. During his absence trade talks are suspended.

ANNEX

Watch Report 365, 1 August 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies, or areas peripheral to the orbit in the immediate future.
- C. Early deliberate initiation of hostilities by Israel or the Arab states is not probable. Although tensions continue between the Arab states and among certain Arab states themselves, these are not likely to lead to serious conflict in the immediate future.