

TOP SECRET

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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

[Large redacted box]

DIA and DOS review(s) completed.

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1. SITUATION IN INDONESIA

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Comment on:

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[redacted]
Despite increasing reports that army and moderate political elements in Indonesia are attempting to stabilize the situation and assert their authority, the Communists are continuing to consolidate their newly won positions. [redacted]

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[redacted] the Communist workers within the organization now are in a position to dictate nearly all administrative policies, including the firing of Dutch employees and the hiring of Indonesian replacements.

The Communists apparently are being careful not to overplay their gains. According to instructions from the Communist party deputy secretary general to various subordinate Communist units, any opposition to military regulations is to be carried out indirectly and by "subtle methods." Other reports strongly suggest that the Communists are anxious to avoid any action which might precipitate the fragmentation of Indonesia.

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[redacted]
Indonesia should continue its "drastic" anti-Dutch policy, and that Djakarta could count on the USSR for "all types of assistance needed" if financial or economic difficulties should ensue. This is the first report that such general aid has been formally offered by the USSR since the anti-Dutch campaign began. The Indonesian deputy chief of staff has told the US assistant army attaché that two Indonesian officers have been sent to Yugoslavia and Czechoslovakia to lay the groundwork for an arms purchasing mission which will leave Indonesia in about a week.

The military commander on Borneo announced on 18 December that barter trade with Singapore would be initiated to ensure an adequate rice supply for his area. For

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this purpose, he is setting aside approximately 10 percent of Borneo's rubber production. The arrangement is the first important autonomous move for some months on Borneo, where the command has been reasonably loyal to Djakarta, and is an indication of the acute shortage of rice on that island.

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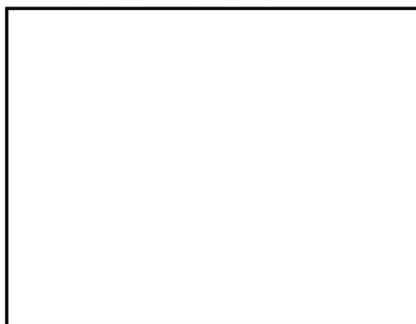
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3. ADENAUER-SMIRNOV TALKS TO BE RESUMED

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Chancellor Adenauer plans to continue talks with the Soviet Union to "review and clarify" a whole complex of questions, according to Adenauer's press chief and close adviser, Felix von Eckardt. Soviet Ambassador Smirnov is reported to have canceled vacation plans in order to be available for a resumption of talks which were inter-

rupted on 13 December. Adenauer has publicly ruled out the idea of an atom-free zone proposed by Bulganin and Polish Foreign Minister Rapacki.

By straddling at Paris the question of accepting IRBM bases, Adenauer has reserved a bargaining point for discussion with Smirnov, while leaving the door open for German acceptance if the NATO military experts make what Adenauer considers a "convincing case" for the necessity of stationing missiles on German territory. From the standpoint of German public opinion, Adenauer would be more justified in accepting such weapons if Moscow failed to provide evidence of a new approach to unification.



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4. AFGHAN ECONOMY DRIVE MAY CURTAIL SOVIET AND AMERICAN PROJECTS

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Comment on:

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Since last summer, the Afghan Government has become increasingly concerned over the inflationary effects of its economic development program, over the rising level of its external debts, and over the production of sufficient export products to barter for Soviet-built development projects. A

full-scale review of the situation is apparently under way.

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One result of the review may be materially to slow further work on Soviet projects under the \$100,000,000 loan. the Afghans have postponed the Naghlu hydroelectric scheme and may have canceled other projects. Unsuccessful Afghan efforts to get the USSR and Czechoslovakia to grant credit for local costs as well as for imported equipment for the \$30,000,000 oil exploration program and a fruit-canning factory may also result in delays. Kabul and Prague are in dispute over payments for the Czech-built cement plant at Jabal-es-Saraj, which cannot begin operations until technicians arrive from Czechoslovakia.

At the same time, certain American-sponsored projects may also come under fire. Afghan Foreign Minister Naim has tentatively rejected aid under the United States Development Loan Fund for construction by the Morrison-Knudsen Company in the Helmand Valley. He has told Ambassador Mills that Morrison-Knudsen may be asked to continue work only on those projects which can be completed with existing funds.

Kabul now may begin a campaign to obtain grant aid both from the West and the bloc for its projects or for additional credit to cover costs which previously have been paid in Afghan currency.

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6. REVOLT PLANNED AGAINST CUBAN GOVERNMENT

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An aerial and ground attack is planned against the government of Cuban President Batista, probably in the near future,

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Sixteen aircraft allegedly coming from Mexico are to attack air and military installations at Havana, and disaffected military per-

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sonnel have been recruited to assist the revolt from within the installations. Ground forces are to attack military headquarters at Camp Columbia near Havana and to blow up bridges and a tunnel connecting it with the capital. The initial attack is to be followed by a general uprising.

This plan, which is similar in detail to the one existing prior to the 5 September naval revolt at Cienfuegos where 200 to 300 persons were killed, appears to be beyond the capabilities of the rebels. The American Embassy and military attachés at Havana discount the extent of disaffection within the armed forces; the number of aircraft allegedly involved is probably exaggerated.

Rumors of renewed antigovernment activity during Christmas week have increased recently, and it is possible that a small-scale attempt will be made. Without considerable popular and military support, such a move would probably fail to unseat the government.

[Redacted]