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II. ASIA-AFRICA

India-Pakistan: Conclusion of the long-delayed treaty dividing the waters of the Indus River basin now is probable as a result of agreement on the most important disputed points. Although negotiation of remaining details could cause further delays, Nehru is scheduled to go to Pakistan to sign the treaty about 20 September. While reiterating his willingness to discuss other matters with Ayub, Nehru recently indicated he is still not ready to take up the Kashmir dispute and is not interested in joint defense proposals. The Nehru-Ayub meeting could, however, lead to general exploratory talks at a lower level to continue the improvement in relations desired by both leaders. [redacted]

OK

Japan: Prime Minister Ikeda has announced that the Diet is likely to be dissolved in November and elections held shortly thereafter. In addition to his desire to satisfy the general feeling that he should seek an early public mandate, Ikeda probably is encouraged by impressive conservative victories in three successive gubernatorial elections and by failure of the Socialist parties to develop a popular issue for exploitation. Public opinion polls also reveal unusually strong support for the new government. [redacted]

OK

Portuguese Africa: Plans for strong reinforcement of Portuguese security forces in Mozambique and Angola have been reported to the US consul general in Lourenco Marques by a reliable source. A civil defense organization has been established in Mozambique, and armed troops and police are much in evidence. These measures reflect increasing Portuguese distrust of the native population and a growing fear of subversion from neighboring territories. [redacted]

OK

*Congo: As Secretary General Hammarskjold prepares for the emergency session of the Security Council, he is seeking support for his interpretation of the UN's role in Congo, a position already attacked by the Soviet Union. According to press reports

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from the UN, Soviet Deputy Foreign Minister Kuznetsov has strongly objected to the secretary general's stand that the 9 August resolution bars UN intervention in internal Congolese disputes.

Lumumba, in Leopoldville, continues to take repressive measures against both UN personnel and Belgian interests. On 17 August he threatened to confiscate all Belgian assets in the Congo if Brussels did not quickly return Congolese funds deposited in Belgium several months ago.

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III. THE WEST

Cuba:

the Castro regime is sending large amounts of money to various other Latin American countries to carry on Cuba's campaign against the OAS and perhaps to bribe delegates to the OAS foreign ministers' meeting now under way in Costa Rica. This money may be part of the \$8,000,000 in 100- and 50-dollar bills which Cuba is known to have

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imported from the US since May. (Meanwhile, the Cuban delegation has threatened to withdraw from the OAS conference in protest of its treatment by Costa Rican security forces. Cuba might then demand that the UN Security Council resume consideration of the Cuban complaint against the US which the council referred to the OAS in mid-July.)

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IV. WATCH COMMITTEE CONCLUSIONS

- A. No Sino-Soviet bloc country intends to initiate hostilities against the United States or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends deliberately to initiate direct military action against US forces abroad, US allies, or areas peripheral to the orbit in the immediate future.
- C. The following developments are susceptible of direct exploitation by Soviet/Communist hostile action which could jeopardize the US in the immediate future:

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no

Although the Kong Le revolutionary faction has succeeded in setting up a new government with approval by the National Assembly (but not yet by the King), the situation in Laos remains confused. General Phoumi intends to defy the new government. He apparently controls enough troops to retake Vientiane, provided he can obtain sufficient money, supplies, and transport. The Pathet Lao has not yet intervened effectively but has the military capability of further complicating the situation. There is still no evidence of any Chinese Communist or North Vietnamese intentions overtly to intervene. Nevertheless the situation remains favorable to Communist exploitation.

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India and Pakistan Near Final Agreement on Indus Waters Treaty

The way now seems clear for conclusion of the much-delayed treaty between India and Pakistan on the division of waters in the Indus River basin. While quibbling over remaining details could cause further delays, International Bank Vice President Iliff informed Ambassador Rountree on 15 August that during his recent talks in New Delhi and Rawalpindi, both governments had agreed to a compromise of the most important points still in dispute.

President Ayub confirmed publicly on 17 August that Nehru will visit Pakistan on 19 to 20 September to sign the treaty. Ayub reiterated that he hoped to discuss "all questions" of mutual interest with Nehru, including the dominant Kashmir dispute. The Pakistani President recalled in a broadcast on 13 August that he had made every conceivable effort to solve Indo-Pakistani problems even though the response from Indian leaders had been "very tardy indeed." He apparently feels the next move is up to Nehru. Ayub, concerned over growing domestic criticism, probably will exploit Nehru's visit as a foreign policy success. He is unlikely at this time, however, to risk further adverse reaction at home by making any substantial concessions.

On several occasions recently Nehru expressed his willingness to go to Pakistan, probably realizing that some reciprocal gesture on his part is necessary now if the improvement in relations is to continue. He denied in Parliament on 1 August that he had refused to talk with the Pakistanis, and said he would take the opportunity of a visit to discuss "whatever matters" are raised. Nehru made it clear that he was not interested in Ayub's joint defense proposals, and his later comments on Kashmir suggest he still is not prepared to negotiate a settlement of this 13-year-old dispute. The Nehru-Ayub meeting may nevertheless lead to exploratory talks on these and other questions at a lower level in order to further the rapprochement both leaders desire.

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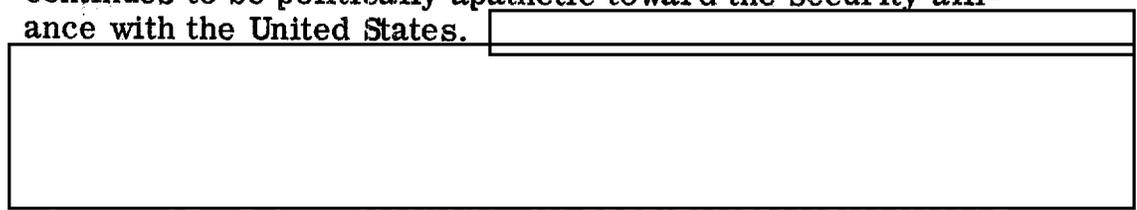
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Prime Minister Ikeda announced on 15 August that the lower house of the Diet would probably be dissolved in early November and that general elections would be held soon thereafter. An official spokesman in the prime minister's office indicated later that dissolution and elections might be held even earlier.

Ikeda is anxious to satisfy public expectations that he will seek an early popular mandate in order to dissociate his administration completely from the Kishi government. In addition, he has been encouraged by decisive conservative victories in gubernatorial contests in Aomori, Saitama, and Gumma prefectures. In these elections, the Socialist party failed to arouse public opinion against the US-Japanese security treaty, and apparently suffered because of its strong-arm tactics in the Diet and encouragement of mob action outside. Like the Socialists, the more moderate Democratic Socialist party is short of funds and lacks an exploitable issue.

Ikeda has promoted popular support by announcing his intention to reduce some taxes and expand social welfare services, including financial assistance for retraining and relocating unemployed workers. Ikeda may also be consolidating his control of the conservatives, a cardinal element in his efforts to achieve political stability in Japan. He has an able, if not well known, cabinet supported by most LDP factions. A threat by Ichiro Kono, a bitter intraparty rival, to form a new conservative party in order to preclude "despotic rule" by Ikeda thus far has not been supported by other LDP factions and may actually be an acknowledgment of Ikeda's strength.

Nationwide polls conducted in August by the large Asahi and Mainichi newspapers indicate that the LDP has regained the public support it lost during the May-June political crisis and that both Socialist parties have less support. Results of the Asahi poll indicate that the Ikeda cabinet now has public support second only to that accorded the Yoshida cabinet which was in office at the time the peace treaty was signed in 1951. In both polls, almost two out of every three persons who responded indicated a preference for the LDP. They also reveal that all but a small, active minority of the Japanese populace continues to be politically apathetic toward the security alliance with the United States.



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Portugal Increases Security Precautions in African Territories

Portugal apparently is making strenuous efforts to increase its defense capability in its overseas provinces of Mozambique and Angola. Plans for large-scale reinforcement of the security forces--which might ultimately add 40,000 men--mainly Portuguese--to the 5,000 Portuguese and 15,000 native troops now in the two territories--have been reported to the American consul general in Lourenco Marques. Several small contingents of Portuguese soldiers have recently arrived in both territories, armed troops and police are much in evidence, and an ambitious civil defense program emphasizing the protection of isolated settlers has been set up in Mozambique.

The increased vigilance comes after numerous indications that African nationalists in adjoining territories have begun to direct their attention toward the Portuguese possessions. Angolan exiles in Leopoldville have recently become more active, and there have been reports of nationalist attempts to enter Angola from the Congo. Agitators apparently have infiltrated northern Mozambique from Tanganyika and reportedly have had some success in fomenting anti-Portuguese demonstrations.

Portuguese officials have repeatedly stated that Portugal has no intention of yielding to African nationalism, and the security forces have kept native movements dispersed and impotent. At the same time, doubts over the reliability of the native population are apparently growing in Lisbon. The stringency of the security controls in Portuguese Africa can be expected to increase as nationalist influences from neighboring territories become more effective.

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The Congo Situation

Secretary General Hammarskjold, under severe attack from both Congo Premier Lumumba and the USSR, is taking the chaotic Congo situation back to the Security Council in order to obtain council support for his position. He maintains that the UN forces are not authorized to intervene in internal Congolese disputes despite the demands of Lumumba that the UN crush the rebellious Katanga government.

The session may be of crucial importance because Lumumba, backed by the Soviet Union, is increasingly critical of Hammarskjold and has threatened to demand the withdrawal of all European elements of the UN force--an action which Hammarskjold has said he would reject in favor of urging the withdrawal of the entire emergency force. Either course would remove present restraints from Lumumba and provide a wide opportunity for exploitation by opportunistic African governments as well as Communist bloc countries.

In Leopoldville, Lumumba continues to take repressive measures against Belgians and to harass UN personnel. Subsequent to the widespread police checks of personal documentation on 16 August in Leopoldville, Congolese troops on 17 August set up machine guns at the airport and interfered with plane landings. The premier threatened to seize all Belgian assets in the Congo if within two weeks Brussels has not returned Congolese funds, including gold, which were sent to Belgium several months ago.

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