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NSC BRIEFING

14 NOVEMBER 1955

JAPANESE CONSERVATIVE MERGER

I. Merger of two ☐ conservative parties (Japan Democratic and Liberal) set for 15 November.

A. 10 November compromise providing for collective leadership paved way.

1. Liberal president Ogata has accepted formula leaving Hatoyama as prime minister.

2. Election new party chief put off until next spring.

3. In meantime, committee of Hatoyama, Ogata, and maybe two others will run new party.

B. Even Yoshida has been persuaded to go along with his Liberal faction (about 40).

II. Hatoyama has decided on following program:

A. Cabinet resignation 21 November. Special Diet session tentatively set for 22

DOCUMENT NO. 33 November

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State Dept. review completed

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- B. Re-election Hatoyama as premier for
22 November.
- C. Formation his third cabinet.
- III. New cabinet expected retain Shigemitsu as
foreign minister to stress friendship for US
firmness towards USSR.
- A. New party expected take tougher Liberal
Party line on negotiations with USSR and
reparations issue with Philippines.
- Merger will give government working majority
in parliament.
- A. Lower house of 467 requires 234 for
majority.
- 1. New party will have close to 300
seats.
- B. Brawling over party head expected to
continue within new party.

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15 NOVEMBER 1955

ARGENTINE SOLVENCY AND STABILITY

- I. Provisional Argentine president Gen. Lonardi
deposed 13 Nov in bloodless coup by armed
(apparently egged on by a group of Captains)
forces leaders on grounds super-nationalist
Catholic elements trying to gain control of
government.
 - A. New president, Gen. Pedro Aramburu, Army
Chief of Staff under Lonardi, reported
to have democratic and moderate leanings;
well-disposed toward US.
 - B. Vice-president, army, navy, air mini-
and constitute Junta
sters to remain on job, but extensive
cabinet changes being made.
 - C. Removal of ultranationalists from such
key posts as foreign ministry may
improve Argentine cooperation with US;
even though Lonardi himself was pro-US.

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Maybe More Changes

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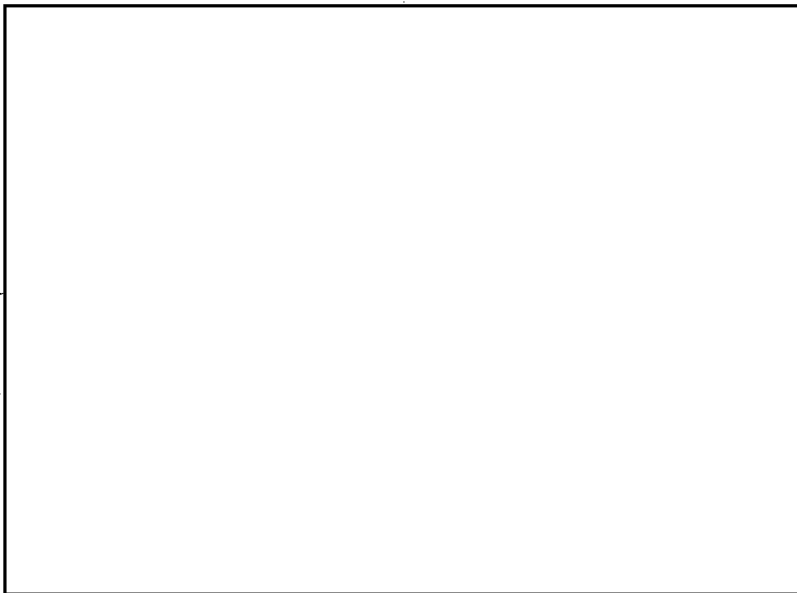
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- D. Lonardi highly respected despite his controversial appointments. Abrupt ouster likely handicap new regime's efforts to maintain a peaceful atmosphere in face pressing labor and economic problems. *Also Lonardi probably more realistic in recognizing impossibility of turning back the clock*
- II. Peron left legacy of crippled productive capacity and financial stress.
- A. Peron reportedly filched substantial sums from treasury. No evidence that his thefts large enough to upset country's balance sheet.
1. Much of it came from private sources, such as "friends" who gave Evita such gifts as villa in Biarritz and jewels; also royalties from Evita's book, which was required reading.

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- B.. Peron's postwar policy of trying to promote rapid industrialization at expense of agriculture which earns 93% of foreign exchange,
- C. Under Peron farm earnings dropped to about one-third of prewar purchasing power.
 - 1. When world prices for agricultural products high, Peron paid farmers only part of the high export price.

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2. By system of multiple rates, farmers were taxed further; they received 5 pesos per dollar for exports but had to pay from 7.5 to 14 pesos for necessary imports--if govt would give an exchange permit.

D. Decline in farm production reduced Argentina's ability to buy essential imports for economic recovery.

III. 1955 trade deficit may reach \$250,000,000. government survey in October lists total outstanding foreign debts at \$757,000,000.

A. In Jan 55 govt claimed holdings of \$371,000,000 in gold and about \$120,000,000 in dollars and sterling. Latter represents minimum necessary to finance essential trade with US and UK.

B. Sterling credits expected to be drawn down by end of year. Net trade deficits expected on various bilateral trade agreement accounts--except with Soviet Bloc.

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- C. Argentina obligated to pay this year about \$28,700,000 in dollars and \$31,100,000 in other currencies to service various overseas debts, including payments on Export-Import Bank credit of 1950.
- D. Prospects for immediate future uncertain in view of unfavorable trend in terms of trade for grain and declining grain markets.
 - 1. Marketing difficulties led Argentina to turn to Soviet Bloc as important outlet for agricultural surplus.
 - 2. Payments deficit by end of 1955 may be severe enough to force politically unpalatable policy of sharp economic retrenchment.
- IV. Provisional government's approach to these problems was to order analysis of economic and financial position. It has commenced steps along lines recommended.

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- A. Peso devalued on 27 Oct to 18 pesos to dollar (had varied from 5 to 14 pesos).
 - B. State trading institute abolished, and govt. stressing encouragement of private initiative.
 - B. Farmers benefitted by these steps and by higher domestic prices fixed by govt.
 - D. Officials stressing need for foreign investment, even mentioning desirability of private and public capital in expanding oil production.
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V. Strong Argentine interest in US aid suggest by:

A. Special economic counselor for embassy in Washington.

B. Argentine officials have indicated they would like to discuss economic problems informally with US Embassy.



D. Officials believed interested in receiving Eximbank loan of \$60,000,000 for steel plant--signature delayed pending review by new govt.

E. US Ambassador believes US economic help needed if Argentina to recover from present upheaval within reasonable time.

F. In sum govt economic program will be tailored ~~to the~~ US aid available

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