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FAR EAST

3.3(h)(2)

1. Resignation of Chinese Nationalist Premier predicted:

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[REDACTED] Nationalist China's Premier Chen Cheng will submit his resignation for the third time before the end of the year. It will be accepted and will be accompanied by a cabinet shake-up, [REDACTED]

[REDACTED] Chen Cheng is having trouble providing Chiang Kai-shek with sufficient funds for his "personal expenses" because of the present tight economic situation on Formosa, but the basic problem is "the struggle for power" between the Premier and Chiang Kai-shek's elder son. 3.3(h)(2)

Ho Ying-chin, President of the Executive Yuan, K. C. Wu, Governor of Formosa, and Chang Chun, head of the Political Science Group, are mentioned as possible successors to Premier Chen. Chang Chun, a classmate and trusted friend of Chiang Kai-shek, is the most likely candidate primarily because the clique which he heads has lost most of its powerful men and is, therefore, not a threat to Chiang Kai-shek.

2. Indian Ambassador reports on Peiping regime:

3.3(h)(2)

[REDACTED] The French Consul-General in Hong Kong learned,

[REDACTED] Indian Ambassador Panikkar intends to submit to Prime Minister Nehru, that the principal points of Panikkar's report are as follows: 3.3(h)(2)

(1) the Peiping regime is "effectively directed" by Mao Tse-tung and it is "useless" to speculate on Chinese Communist internal dissension;

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(2) the Chinese Communists regard peace in Korea as possible only through withdrawal of foreign troops;

(3) Sino-Soviet relations are "close" but Peiping is not in "servile submission," and Soviet advisers are "strictly limited" in their activities; and

(4) "most" CCP members regard only the Soviet bloc nations as their friends and look upon other countries, including India, as enemies.

Comment: Other evidence generally supports these conclusions. While the Peiping regime has been faithfully and aggressively Stalinist in behavior, its status appears to be superior to that of the Eastern European Satellites; the degree of restriction imposed on the Soviet advisers, however, is not known.

3. Official statements give distorted picture of Burmese situation:

3.3(h)(2)

Prime Minister Thakin Nu of Burma told a press conference in New Delhi, after his two day meeting with Nehru, that conditions in his country were improving daily. He stated that there were only 3,000 to 4,000 insurgents scattered about the country and that their rebellion was no longer "very serious." The Burmese also said that the insurgents had not received aid from China, which, he claimed, had maintained a "very correct attitude" towards Burma. 3.3(h)(2)

Comment: These statements represent a deliberate distortion of the facts. It is now estimated that there are about 18,500 insurgents in Burma and Commander in Chief Ne Win recently admitted that the initiative had passed to them. The remarks of the Prime Minister may be

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only an effort to maintain the fiction of Burma's "neutral" foreign policy or to hide the Burmese Government's weakness. The extreme air of casualness, however, which has been assumed by both the Burmese and Indians gives rise to the suspicion that the conference between the two Premiers was of greater significance than described and that important substantive decisions may have been taken regarding Burma's foreign relations, particularly insofar as they relate to Communist China.

4. Dalai Lama endorses Communist program for the "liberation" of Tibet: 3.3(h)(2)

Peiping radio has broadcast an exchange of telegrams between Mao Tse-tung in Peiping and the Dalai Lama in Lhasa. Mao thanked the Dalai Lama for his "efforts in implementing the agreement for the peaceful liberation of Tibet." The

Dalai Lama had advised Mao on 24 October that the local government, monks and populace of Tibet are giving the May 1951 agreement "unanimous support."

Comment: A delegation from Lhasa concluded an agreement with the Peiping regime in May 1951 providing for Tibetan cooperation in the extension of Chinese Communist authority over Tibet. It was widely believed that the Dalai Lama, in refuge on the Indian border, would repudiate this agreement, which deprived him of all significant power in Tibet. However, by September the Dalai Lama had returned to Lhasa, under occupation by Chinese Communist advance forces, and has since been expected to endorse the agreement. The Dalai Lama's adherence will facilitate the consolidation of Communist control of Tibet.

SOUTH ASIA

5. Indo-Pakistani relations reportedly have improved:

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According to the US Embassy in New Delhi, the depth and sincerity of India's reaction to the Pakistani Prime Minister's assassination, and

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the conciliatory statement on Indo-Pakistani relations made by Liaquat Ali's successor have lessened tension between the two countries. A member of the British High Commissioner's office has also expressed the view that Indo-Pakistani relations are now better than at any time in the last four years.

Comment: Previous experience with Indo-Pakistani crises suggests that Indian reaction to Liaquat Ali's assassination, however sincere, is likely to be brief. Pakistan's almost immediate return to a state of apparent normalcy has demonstrated the ability of the government to control the country; and identification of the assassin as an Afghan national has minimized the possibility of armed anti-Indian outbreaks in Kashmir. Accordingly, the Indians may feel little need to modify their previous policies with regard to Pakistan, and they may be as uncompromising as ever when the UN Security Council meets to discuss the Kashmir case.

NEAR EAST

6. British threaten to cut off Egyptian oil supplies again:

3.3(h)(2)

The British Shell manager states that this action would force the refinery to close within two or three days because of lack of storage space. This would in turn shut down the producing fields and stop the flow of kerosene and gasoline to Cairo.

The British military authorities in Egypt have informed the British Ambassador that "their position in the Canal Zone is untenable unless they receive a minimum cooperation from the Egyptians."

Comment: The British-controlled pipeline to Cairo was closed for one day on 23 October. Cutting off oil supplies would

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result in widespread hardships and a practical breakdown of utilities and industry in Egypt. If this should be done, popular antipathy toward the British would be heightened and public indignation would increase.

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Comment: Shishakli has been a potential target for assassination ever since he engineered a successful coup d'etat last year and became the man behind the scenes who really rules Syria. The motives behind this reported plot would be personal revenge on the part of Colonel Hinawi's relatives, and the desire to promote an Iraqi-Syrian union, which Shishakli opposes.

There is no evidence of Communist connection with this rumored plot. Shishakli has exhibited a general neutralist attitude toward the West. Shishakli's elimination at the present time would, however, serve to increase the tension in the Arab world and might promote renewed agitation for Iraqi-Syrian union.

EASTERN EUROPE

8. Yugoslavs seek UN resolution condemning Soviet-Satellite pressure:

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Comment: Since this action could be construed by the USSR as a provocation, it would appear that the Yugoslavs are more confident of their power position at the present time than they were last spring, and that they doubt Soviet willingness to risk a general war.

Following the submission of their White Book last March, the Yugoslavs had contemplated raising the issue of Soviet pressure before the UN this fall, but maintained that the precise timing of this submission would depend upon the trend of events and upon Western support.

WESTERN EUROPE

9. Opportunity seen for non-Communist labor alliance as Communists plan strikes:

3.3(h)(2)

The US Embassy in Paris believes that present critical wage-price problems may soon result in a national conference of French economic groups from which the government will exclude the Communist-controlled General Labor Confederation. The success of such a conference, which would include the Socialists, would make a strong non-Communist trade union alliance possible. Some of the leaders, with "astonishing" though perhaps "undue" optimism, are even talking of unification of the major non-Communist groups "for the first time."

Meanwhile, there are indications that Moscow has given the French Communists a free hand for organizing an "economic" mass movement devoid of "political antics." Strikes will probably be called during the UN Assembly session in Paris.

Comment: The General Labor Confederation dominates French labor largely because the non-Communist unions have always failed to cooperate effectively. Virtually every political crisis in recent years has been precipitated by the Socialists, who feared General Labor Confederation gains at the expense of the non-Communist unions.

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The Socialists, in order to prevent a Gaullist accession to power, may now try to strengthen the wobbly Pleven government by supporting such a national economic conference.

French Communists have consistently failed in their strike movements largely because they were ordered to tie in political objectives.

10. Spain reportedly considering nationalization of British property:



The Spanish Government is considering the nationalization of the Rio Tinto copper mines and other British industrial property in Spain, [REDACTED]

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[REDACTED] The government is also reported to be drawing up a documented brief of Spanish claims to Gibraltar which it will present as an "ultimatum" to Britain.

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Comment: Some British Foreign Office officials have expressed the fear that the 12 October Spanish note protesting Great Britain's "unfriendly attitude" was a forerunner of further Spanish claims on Gibraltar and possibly of a threat to expropriate the Rio Tinto mines. However, there has been no indication that Spain is actually considering expropriation of British property.

The Gibraltar question has long been one of the favorite and more effective diversionary propaganda devices of the regime. Since Franco has little hope that the UK would give up Gibraltar even in the face of an expropriation threat, this report may be designed to exploit the current British position in the Middle East in the interest of a favorable policy toward Spain by a Conservative government.

LATIN AMERICA

11. Guatemalan Minister suggests renewal of campaign for British Honduras:



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Comment: Munoz Meany, formerly Foreign Minister, is well known for his pro-Communist sympathies and his active opposition to "colonialism" in Latin America. It is probable that he would accept, and possibly solicit, the aid of European Communist elements in seeking to establish Guatemala's long-standing claim to Belize -- that is, British Honduras.

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