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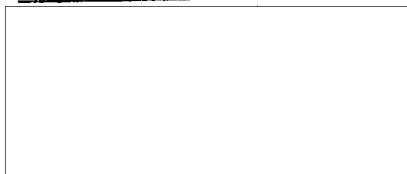
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GENERAL

1. USSR makes move for diplomatic relations with Japan:

Moscow has made its first direct move toward resumption of diplomatic relations with Japan, according to the American embassy in Tokyo. The head of the

Soviet mission--which has no official status in Japan--presented an unsigned and undated document to Prime Minister Hatoyama at his private residence on 25 January, stating that the USSR is prepared to nominate representatives for negotiations to be held either in Moscow or Tokyo aimed at the normalization of relations between the two countries.

Comment: The timing of the presentation of this document--on the day after the dissolution of the Japanese Diet--seems to reduce its significance in terms of obtaining immediate resumption of relations between Moscow and Tokyo. Moscow may, however, publicize this approach hoping to ensure that this question remains paramount in the forthcoming election campaign.

The Hatoyama government probably will seek clarification of Moscow's terms and plead that its caretaker status precludes any official commitments prior to the election.

Previously, the Japanese have insisted on some settlement of the questions of war prisoners, fishing rights, and the status of the Habomai and Shikotan Islands before negotiating with the USSR. Tokyo has indicated now, however, that there are no serious impediments to bilateral negotiations. On the other hand, if Moscow should insist on a simultaneous settlement with Peiping, this would be a major obstacle.

SOVIET UNION

2. Comment on return of Soviet ambassadors to Moscow:

The Soviet ambassadors to France, East Germany, Great Britain, the United States,

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Turkey, and Iran have recently returned to Moscow. There are some indications that the ambassadors to North Korea, Hungary, and Czechoslovakia may also be away from their posts. Other ambassadors may also have returned.

It is likely that these ambassadors will be consulted on the prospects for the Paris agreements and the probable reaction to any tougher Soviet line to counter West German rearmament. They may also have been called home at this time for briefing on some new turn in Soviet domestic or foreign policy which would have an important effect on relations with the West. Two of the ambassadors who have returned are members of the party central committee, before which any major policy shifts would probably be presented for approval.

The most pressing problems affecting foreign relations probably are the need to offset prospective West German rearmament with some increase in Orbit military preparedness and the possible need of future increased commitments to Communist China resulting from the Formosa developments.

SOUTHEAST ASIA

3. French reported pressing Bao Dai to return to Vietnam:

Minister for Associated States Guy La Chambre has been pressing Bao Dai to return to Vietnam, [redacted]

[redacted] chief of state may succumb to the pressure being exerted by the French through his aides and through General Hinh who are influencing him against the United States.

Comment: As chief of state, Bao Dai is in a position to undercut Premier Diem at any time. Diem is opposed to his return.

SOUTH ASIA

4. Comment on Indian Congress Party's annual meeting:

Prime Minister Nehru again dominated the Congress Party's annual convention in Madras from 17 to 23 January. V. K. Krishna Menon played a more important part than in the past, being closely connected with formulation of the major foreign policy resolution passed by the party.

The most important action taken by the convention consisted of strongly re-emphasizing Nehru's new plan for a socialist economy. Home Minister Pant will probably become Nehru's right-hand man in implementing this plan. The emphasis on socialization will probably strengthen the fears of big business that Nehru is finally in earnest about rapid socialization of industry.

EASTERN EUROPE

5. Marshal Rokossovski reportedly visiting East European countries:

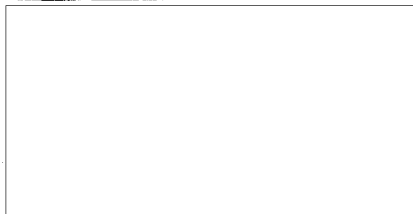
The French military attaché in Budapest told American officials that he had received information from Poland that the Polish minister of national defense, Marshal Konstantin Rokossovski, had visited Czechoslovakia, is now in Hungary, and will visit Rumania and Bulgaria.

Comment: This report suggests that steps are being taken to set up a combined East European military command such as was discussed at the time of the Moscow security conference in early December.

Rokossovski, a top Soviet World War II marshal, would be a logical choice to act as a front for the Soviet Union in organizing a combined Satellite military establishment.

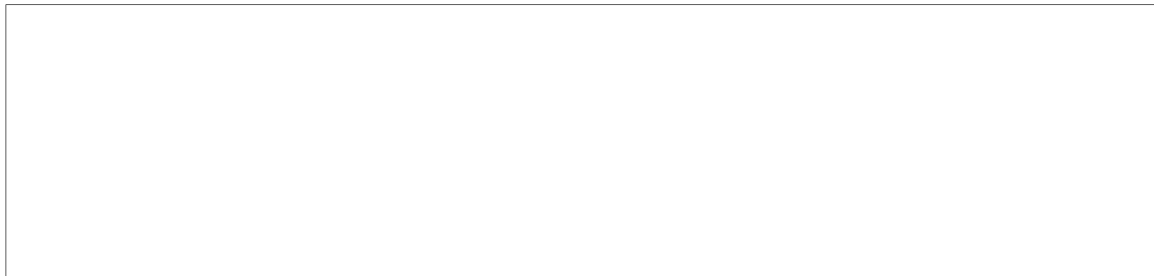
WESTERN EUROPE

6. Italian government's anti-Communist program reported at near standstill:



The Italian government's new anti-Communist program which was announced last month has slowed almost to a standstill, according to the American army attaché in Rome. No date has been

set for a cabinet meeting tentatively scheduled for January to discuss the program.



Comment: When the Scelba government announced its new anti-Communist drive on 4 December, the premier described it as critical for the future of democratic government in Italy. Officials stated that failure of this program would probably lead to the adoption of totalitarian methods to stop Communism. Little progress has been made thus far in breaking up Communist agricultural and business co-operatives and trading companies or in weeding out Communist government employees. Action on social reforms has also bogged down.

LATE ITEMS

7. Pravda editor underscores emphasis on heavy industry:

[REDACTED] An article in the 24 January issue of Pravda signed by the paper's editor, D. T. Shepilov, berates certain little-known economists for suggesting that the priority given to production of consumers' goods be equal to or greater than that accorded producers' goods. However, Shepilov did not exclude the possibility of correcting imbalances in the economy in particular years.

The American embassy in Moscow believes that this article furnishes the latest and clearest indication that Soviet internal economic policy has recently been under top-level review and that while differences arose in the course of the discussions, a firm decision has now been made in favor of maintaining the priority for heavy industry.

Comment: A TASS announcement also on 24 January disclosed that Deputy Premier A. I. Mikoyan had been relieved as minister of internal trade 'at his own request.' It is quite possible that his resignation has been accepted to permit him to devote full attention to more important administrative problems as deputy premier. The timing of the announcement, however, suggests that Mikoyan, one of the proponents of the consumers' goods program, has been selected as a scapegoat.

8. Comment on Soviet declaration ending state of war with Germany:

[REDACTED] The Soviet declaration ending the state of war with Germany appears designed to re-emphasize the dual purpose of the 15 January Soviet statement: to dangle before the West Germans the prospect of diplomatic relations and to warn that if the Paris accords are ratified Moscow will strengthen East Germany's position in the Orbit. The USSR has sought to underscore its determination to take new measures in East Germany by advertising recent diplomatic talks with East German officials in Moscow and Berlin.

The Soviet declaration, which comes three years after similar Western declarations, makes it clear that the Soviet Union's "rights and obligations" in Germany under four-power agreements are not affected. Poland and Czechoslovakia are likely to follow the Soviet lead.

Moscow's statement will have little effect in West Germany. The declaration will probably provide a basis for the eventual establishment of East German armed forces and a national airline, and for the transformation of the interzonal border into a national boundary. It might also be used as a substitute for a peace treaty with East Germany, thereby avoiding such problems as those involving Berlin and the Oder-Neisse line. [REDACTED]

9. Somoza predicts extended guerrilla war in Costa Rica:

[REDACTED] Nicaraguan president Somoza on 24 January told the Organization of American States fact-finding commission now investigating the Costa Rican-Nicaraguan dispute that the Costa Rican rebels, which he says number up to 700, will now probably adopt guerrilla tactics, leading to long and costly warfare. Somoza said that the only way to stop the fighting would be for Costa Rica to conclude a truce with the rebels, guaranteeing them amnesty and a return of their properties.

Ambassador Dreier, United States representative on the OAS commission, concludes that Somoza is obviously "closely and continually in touch with the rebel forces in Costa Rica" and "will continue to support the rebels surreptitiously if they continue hostilities." Dreier believes Costa Rican government forces will have a hard time coping with the rebels since there is a general belief that the war is over and volunteers are going home.

[REDACTED]

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[REDACTED]

It is likely that some fighting will continue, but not on the large scale Somoza predicts. [REDACTED]

10. New Chinese Communist attacks on coastal islands may be imminent:

[REDACTED]

There are several indications that further Chinese Communist attacks on Nationalist-occupied coastal islands may be imminent.

Communist planes have been reconnoitering the Tachens for several days in a pattern similar to that noted prior to all previous air attacks on these islands. A Peiping radio station, believed to serve a major air force command, sent a "most urgent" message to Shanghai on 24 January. TU-2 light piston bombers of a naval air unit in the Shanghai area have been standing down since 22 January.

Communist artillery positions have already been established on Ichiang, captured on 18 January, and the first rounds from these positions hit the main Tachens on 24 January. Moreover, seven searchlight positions have been established on Communist-held Toumen Island, 13 miles north of Upper Tachen.

[REDACTED]

[REDACTED] Roads to new artillery positions on the mainland coast just north of the Matsus are under repair, and new barracks have been reported in the area. With completion of these developments, the Communists will be able to launch simultaneous artillery and naval attacks on all three of the major Nationalist-held island groups--Tachen, Matsu and Quemoy.

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