

Approved For Release 2003/02/27 : CIA-RDP78-01617A005800020024-7

DIA and DOS review(s) completed.

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GENERAL

1. French request for more coal--In reply to Secretary Byrnes' personal message to Bevin urging increased Ruhr coal production for France, Undersecretary Sargent (in Bevin's absence) stated that the British (a) had already promised the French to "do everything possible" to produce more Ruhr coal, but would have to give it to the European Coal Organization for allocation; (b) are loaning another 100,000 tons to the ECO, and will (as in May) support the French claim for a major share; and (c) feel that "it would not be possible to give preferential treatment to France" without undermining ECO's effectiveness and "breaking up" the allocation system.

The State Department has informed Harriman and Bidault that the US is loaning to the ECO 60,000 tons from its military reserve in Germany and will "strongly support" the French claim for it.

2. Soviet observers for Operation Crossroads--Ambassador Smith reports that Molotov, on notifying him that the USSR has designated two observers for Operation Crossroads, remarked that he understood Soviet observers "would not be given the same facilities as others." Smith assured him that they would be given equal treatment.

3. Yugoslavs bargain for Austria's support on Trieste--Dunn has been told by Austrian Foreign Minister Gruber that the Yugoslavs have urged the Austrian Government to make a public declaration in support of Yugoslavia's claim to Trieste. In return the Yugoslavs would (a) guarantee Austria facilities in Trieste, (b) begin repatriation of Austrian prisoners of war, except those charged with crimes in Yugoslavia, and (c) take steps toward recognition of the Austrian Government. Gruber does not favor the suggestion, but anticipates that some members of his Government will be strongly inclined to accept because of the provision relating to prisoners of war.

Document No. 029
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO: TS S **(C)**
Auth: DDA Memo, 4 Apr 77
DDA REG. 77/1763
Date: 13 MAR 1978

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EUROPE-AFRICA

4. **USSR: Comments on reported Soviet "Ruhr offensive"**--US Military Attache Prague has reported that 200,000 Soviet troops are moving from Austria and Hungary through Czechoslovakia to the Soviet zone in Germany, possibly in preparation for offensive action against the Ruhr and the Low Countries. General McNarney comments that (a) only 60,000 troops from Austria and 10,000 from Hungary are involved; (b) although the Soviets have sufficient combat troops in their zone for offensive action, there is no evidence of preparation for such action; (c) it is possible but not probable "at the present time" that the reinforcements are for a strike to the west; and (d) the Soviets actually are reducing their forces in Austria and Hungary and are preparing to release by September an additional 245,000 troops from their zone in Germany. General Clark confirms the report that Soviet troops are leaving Austria, but (a) states that there is insufficient local evidence to indicate offensive action, and (b) believes that the Soviets are either making a substantial reduction of their troops in Austria or shifting units between countries.
5. **BULGARIA: Soviet civilians increasing**--US representative Barnes in Sofia reports that the Soviets (a) have probably withdrawn fifteen or twenty thousand troops in the past few weeks, but (b) are sending an "increasing number" of civilians into the country. He believes that the Soviets will use the civilians to operate German assets acquired as reparations rather than for "politico-military" purposes.
6. **VENEZIA GIULIA: SAC requests increase of police force**--The Supreme Allied Commander, Mediterranean Theater, has requested CCS to authorize an increase in the AMG police force in Zone A of Venezia Giulia from its present strength of 3,950 to 6,000. SAC points out that (a) Allied military personnel in Venezia Giulia are being decreased, (b) the AMG police force (staffed largely with Italian personnel) is too small to cope with an emergency or to stand indefinitely the strain of civil disturbances, which "invariably" last several days, and (c) the local situation "may well deteriorate" as a result of the continuous political tension and the postponement of a settlement in this area.

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7. HUNGARY: Premier Nagy may resign-- According to Minister Schoenfeld, serious tension has developed between the Communists and Premier Nagy's Smallholders Party. A recent Smallholders' ultimatum to the other parties of the Government coalition demanded (a) immediate arrangements for municipal elections in the provinces (where the Smallholders are confident of obtaining a majority), (b) reorganization of the police to give the Smallholders 50 percent participation, and (c) cessation of "arbitrary actions by the political and economic police." The Communists have failed to reply and have continued their press attacks on the Smallholders. Schoenfeld comments that, if the Communists continue to oppose the Smallholders' demands and if the Soviets do not intervene to reconcile the two parties, the rank and file of the Smallholders may force Nagy to resign.
8. HUNGARY: Soviet attitude on Transylvania-- According to Legation Budapest, the Soviet Minister to Hungary recently told Geza Teleki, former Minister of Education, that, in his opinion, the Soviets (a) "had gone too far" in their stand on Transylvania, and (b) have now changed their point of view.
Schoenfeld comments that this Soviet interest in Transylvania (a) may be intended only to raise false hopes among the Hungarians, or (b) may mean that the Soviets intend to reopen the question at the next meeting of the Council of Foreign Ministers.
9. GREECE: France will not join in observing electoral list revision-- The French Foreign Office has informed Ambassador Caffery that France will not join the US and UK in sending a mission to observe the revision of the Greek electoral lists prior to the referendum scheduled for September. The French "consider" the revision "principally an administrative and internal matter."
10. POLAND: Mikolajczyk's party opposes single chamber-- According to Embassy Warsaw, Mikolajczyk's Polish Peasant Party reportedly has decided to recommend that its members vote in the Polish referendum (a) against the adoption of a unicameral legislature, and (b) for the Government's nationalization program and the adoption of the Oder-Neisse line as Poland's western boundary.

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11. **IRAN:** Qavam expects early agreement with Azerbaijan--Ambassador Allen reports that on 1 June Qavam expressed confidence that he would reach a "full and satisfactory agreement with Azerbaijan within a day or two." Qavam attributed his confidence to (a) his steadfast adherence to his original terms, (b) the strong support of world opinion, (c) the "evident determination of the Security Council" to continue to watch the Azerbaijan situation, and (d) Soviet advice to Tabriz to come to terms. Qavam also expressed "full confidence" in his ability to control the Tudeh Party, adding that he hoped to win it away from dependence on the Soviet Union.

Reported plot against Shah--Allen has been told [redacted]

[redacted] that Qavam "has been forced over entirely onto the Russian side" and is preparing to carry out a "popular uprising in Tehran against the Shah," probably within the next two weeks. Allen considers that the report is only "partially correct, if that", and doubts that any such plot has been organized by Qavam. Allen concedes, however, that the "situation is undoubtedly explosive" and may result in "a coup by either Right or Left, with the latter more likely."

FAR EAST

12. **JAPAN:** Soviets refuse fishing privileges--The Soviet member of the Allied Council, in reply to a recent SCAP request that Japanese fishing companies be permitted to operate off Kamchatka, has stated that (a) all former Japanese fishing concessions in Soviet waters have been "confiscated" and given to various state enterprises, and (b) the USSR cannot consider the application now because Japanese fishing industries did not "concern themselves" with this question several months ago.

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