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GENERAL

1. Substantial British reinforcement in Iraq--US Consulate Basra has learned from "reliable" sources that the regular British garrison at Basra, comprising 12,000 Indian and 3,000 British troops, is being reinforced by 12,000 Indian troops. A total of 6,500 men, in motorized, re-equipped and self-contained units, have already arrived; the balance which will begin to arrive in mid-September, may include paratroopers. The Consulate adds that plans have been drawn up for the use of all units as airborne troops and the entire force is organized to permit rapid and great expansion.

The Consulate comments that the British are recreating in Iraq a force capable of quick action on a scale far in excess of that required for the occupation of Khuzistan (the oil field and refinery area near Basra). The Consulate believes that this force will move into Iran upon the arrival of the remaining reinforcements and completion of plans.

2. US favors elevation of US Legation Cairo--Acting Secretary Clayton has instructed US Legation Cairo to inform the UK Embassy that, regardless of the present state of Anglo-Egyptian negotiations, an exchange of US and Egyptian Ambassadors and elimination of British precedence should be effected immediately (see Daily Summary of 5 September, item 2).

3. US prepared to exchange Ambassadors with India--The State Department has confidentially informed US Mission New Delhi that the US is prepared to exchange Ambassadors with the Government of India, if India should so request. The initiative must, however, come from India.

4. Tito may indemnify US for fliers, but not for planes--Marshal Tito has told US Ambassador Patterson that he does "not in principle object to indemnity to families of victims (of the downed planes) to show good will and to help toward good relations," but that he does not accept "responsibility for the accident." Tito also disapproved payment of indemnity for the planes, because such action would demonstrate that "Yugoslavia has not the right to protect its territory from unauthorized incursions."

5. Possible settlement of refugees in France and Corsica--US Charge Key reports that the First Secretary of the French Embassy at Rome has indicated confidentially that France would probably offer no objection to the temporary settlement of 25,000 Jewish refugees in Corsica and might

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even agree to accept this number permanently on the mainland. Key suggests that Corsica might offer a solution to the difficulties encountered in the proposed plan to send 25,000 refugees to Italy.

6. Azores memorandum to be signed on 7 September--US Embassy Lisbon reports that the short-term understanding regarding the Azores will be signed on 7 September in the War Minister's presence. Acting Secretary Clayton, however, has informed the Embassy that he does not approve its proposal to turn over gratis the surplus property desired by Portugal.

EUROPE-AFRICA

7. USSR: Third stage demobilization believed completed--The US War Department Military Intelligence Division believes that stage three of the Soviet Armed Forces demobilization was completed on 1 September. Total Soviet strength is now estimated at 4,500,000 with Ground Forces at 3,150,000, Air Forces at 550,000, Navy at 300,000, and MVD at 500,000.
8. GREECE: Irregularities in plebiscite reported--US Ambassador MacVeagh reports that a preliminary study of observers' reports on the 1 September plebiscite reveals a "substantial" number of irregularities, in many instances condoned by responsible Government officials, including flagrant misconduct of the secrecy of balloting, and coercion and intimidation of voters. Some evidence also exists that a "considerable" number of potential leftist and centrist voters were kept from the polls by "police restraint."
9. AUSTRIA: Proposed delay in promulgating nationalization law--The State Department has been informed that Foreign Minister Gruber has suggested that (a) the promulgation of the Austrian nationalization law be delayed; (b) the Western Powers issue a joint definition of German assets in their zones excluding cases of forced transfer; and (c) the nationalization law be amended to exempt UN property and pre-Anschluss German assets. Acting Secretary Clayton has informed US Embassy Paris that US fails to see how Gruber's proposal would reduce Austrian difficulties in the Soviet zone.

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FAR EAST

10. **JAPAN: SCAP urges approval of 1947 food program--SCAP strongly recommends approval in its present form of the 1947 Japanese food program, now under discussion in Washington. The minimum requirement for the 1947 food year in Japan is set at 2,200,000 metric tons of food in rice equivalents, which will provide an average daily consumption level of 1550 calories per person and a reasonable supplementary ration to workers in essential industries. SCAP feels that Japan will be unable to continue the planned political, social, educational, industrial and commercial recovery programs unless it is permitted the minimum level of nutritional vitality required for an all-out National Labor program.**

Minimum industrial levels--SCAP also urges that the Far Eastern Commission establish assured minimum industrial levels for Japan as soon as possible because the Japanese industrial situation is "most precarious."

THE AMERICAS

11. **CHILE: Cruisers offered by British firm--According to the Chief of the US Naval Mission Santiago, a representative of Vickers Armstrong Barrows has presented to the Commander in Chief of the Chilean Navy plans and specifications of three light cruisers and has offered to build them for the Chilean Navy on "convenient" financial terms.**

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