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GENERAL

1. Jewish Agency opposes US-UK plan for Palestine--The US delegation to the London talks on Palestine has received from the Jewish Agency an "at least semi-official" letter stating that the Agency cannot participate in any further consultations on the immigration of 100,000 Jews into Palestine. The Agency contends that the immigration should be carried out without awaiting solution of the general Jewish problem and that both President Truman and the State Department have supported that view. The letter further states that the main US-UK proposal (see Daily Summary of 25 July, item 1) appears wholly unacceptable from the Jewish point of view.

2. Arab League attitude threatens US air rights in Egypt--The Director General of the Lebanese Ministry of Foreign Affairs has told the US civil air attache in Cairo that the recent Arab League air conference secretly resolved that "no Arab government having a national airline will grant fifth freedom rights within Arab countries to any foreign trunk line." The Lebanese Minister expressed the belief, which he said had been confirmed by Egypt's delegate to the conference, that in view of this resolution the Egyptian Parliament would not ratify the Payne Field agreement with the US. (The US is preparing to turn the field over to the Egyptians on the assumption that the agreement will be ratified.)

The State Department feels that in spite of this report the US must fulfil its obligation to the Egyptian Government to turn over Payne Field as rapidly as possible.

3. Anglo-Soviet trade agreement--A British Foreign Office official has told Harriman in strict confidence that Anglo-Soviet trade conversations have been successfully concluded. Both the Foreign Office and the Government are pleased with the terms, which include a compromise settlement of past disputes and the exchange of Soviet forest products for Empire rubber. The British are not to grant any "extensive" future credits.

EUROPE-AFRICA

4. ITALY: Leftist attitude on peace treaty--Embassy Rome believes that, although Italian left-wing leaders are nearly as disappointed as the right at the CFM decisions, neither the Communists nor the Socialists would

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refuse to participate in any government signing a peace treaty similar to the present draft.

5. **ALBANIA: Troop movements near Greek border**--US Political Representative Jacobs in Tirana reports new troop movements southward, near the Greek border. Jacobs attributes the movements to the recent Greek border incidents (see Daily Summary of 10 July, item 8) and suggests that they may also be related to recent purges of civil and military officials and to a possible resurgence of anti-Government activity.
6. **HUNGARY: Soviets press demands**--Minister Schoenfeld in Budapest reported that, following the US protest against the unilateral Soviet demands on the Hungarian Government (see Daily Summary of 12 July, item 2), the Soviet Minister to Hungary instructed the Interior Minister, an extreme Communist, to speed the dissolution of Hungarian church and youth organizations. The Interior Minister, without consulting Premier Nagy, has already issued a decree dissolving "some two or three hundred" such organizations and has taken "extreme measures" to comply with the Soviet demand for a purge of Government officials.
7. **BULGARIA: British view on peace treaty with present regime**--According to US Political Representative Barnes in Sofia, his British colleague and the UK Representative ACC Bulgaria have advised Bevin that (a) if considerations of "high policy" permit, the UK should refuse to sign a peace treaty with the present Bulgarian Government or to take any action which could be interpreted as "whitewashing" the regime, and (b) if a peace treaty is necessary, the UK should announce that it still condemns the present situation in Bulgaria, "but has bowed to the superior requirements of the moment for a formal peace."
8. **GERMANY: Soviet proposal on reparations plants**--Murphy reports a Soviet proposal for a better system of listing and safeguarding "reparations" plants in Germany on the ground that equipment was missing or stolen from US and UK Zone plants allocated to the USSR. In denying this allegation, Clay offered to provide an inventory of US Zone "reparations" plants if the Soviets would do the same.

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FAR EAST

9. **CHINA: Koreans may be expelled from Manchuria--General Hodge fears that Korean settlers, estimated at more than a million, may be expelled from South Manchuria when Chinese National Government authority is restored in that area. Hodge states that the relief problem in South Korea will be correspondingly aggravated, since the great percentage of Korean refugees have tended to drift ultimately into the US zone.**

THE AMERICAS

10. **CANADA: Doubts of US economic stability--US Ambassador Atherton reports that Canadians appear generally apprehensive about US economic and political stability. Atherton believes that this feeling was engendered by the revaluation of the Canadian dollar followed by publicity on OPA, spectacular price increases and other unfavorable developments, and that it has been fostered by proponents of closer Empire integration.**

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