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CRITICAL SITUATIONS

EUROPEAN RECOVERY

Premier Spaak of Belgium has made a request for an immediate diversion of US wheat shipments because the Belgian bread grain supply will be exhausted by 23 November (see item 4).

GREECE

No significant new development.

CHINA

No significant new development.

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GENERAL

1. UK position on Italian warships--Bevin has told US Ambassador Douglas that he is anxious to be helpful regarding the return of Italian warships assigned to the UK. Bevin also said that he is considering the return of the Italian battleship now held by the UK if he receives assurances that it will be promptly scrapped. According to Bevin, the UK Admiralty is apprehensive lest the Communists gain power in Italy and France, because such a development would make available to a potentially hostile power a number of warships sufficient to render the UK position in the Mediterranean exceedingly vulnerable.

2. Palestine issue impairs US-UK relations--US Ambassador Douglas in London, in transmitting a UK aide memoire relating to ships which are suspected of preparing for passage to Palestine with illicit immigrants, states his belief that this aide memoire is further evidence of the deep concern of the UK Government with the "explosive situation" in Palestine. Douglas adds that: (a) "it is clear that Palestine is a factor which disturbs US-UK understanding and cooperation"; and (b) the fact that US citizens finance the "illegal" refugee traffic to Palestine appears uppermost in the minds of British officials.

3. Yugoslavia plans aggressive program for Latin America--US Ambassador Cannon in Belgrade, after conversations with a Yugoslav Foreign Office official, reports that Yugoslavia evidently plans an active and aggressive program for Latin America. Cannon warns that the activities of Yugoslav agents in that area will deserve as close attention as that paid to Soviet agents.

EUROPE

4. BELGIUM: Bread shortage imminent--US Ambassador Kirk forwards an urgent request from Premier Spaak for immediate US aid in maintaining the Belgian bread ration because Belgium will

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have exhausted its bread grain supply by 23 November. Kirk endorses Spaak's request that three wheat boats be diverted from Germany to Belgium if any are now en route. According to Kirk, Belgian efforts to obtain bread elsewhere have failed and the US is the last resort. If the grain supply fails, Spaak fears the political repercussions on his Government and possibly grave consequences from Communist agitation.

5. YUGOSLAVIA: US Senator and Congressman refused visas--US Ambassador Cannon states that the refusal at the Yugoslav Foreign Office to issue visas to Senator Knowland and Congressman Rooney climaxes a period of "discourteous and surly negotiations with few parallels between nations assumed to have normal diplomatic relations."

NEAR EAST-AFRICA

6. IRAN: Allen believes Iran entitled to US aid--Prime Minister Qavam has informed US Ambassador Allen that Iran, by categorically rejecting the Soviet oil proposal, has now definitely aligned itself with the democratic powers against the totalitarian bloc and has placed itself in the same category as Greece and Turkey. Qavam added that Iran is "conspicuously open to Soviet aggression," and there is no longer any reason for the US to hesitate to aid in strengthening Iran's defenses or for Iran to hesitate to receive such aid. Allen recommends that the US agree to accept Iranian currency instead of dollars in payment for the \$25 million worth of military supplies which Iran is seeking from the US.

British comments on "mild" Soviet reaction to oil rejection-- According to US Embassy London, the British Foreign Office believes that the USSR has reacted rather mildly so far to Iran's rejection of the Soviet oil proposal because of: (a) Soviet unreadiness to make a "bold move"; (b) the realization of Soviet military leaders that

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no other power will secure an oil concession close to the Soviet border; and (c) the "interest of the US in Iran's sovereignty and independence." (Soviet propoganda in Iran has already taken the line that the action by the Majlis, which prevents other powers from obtaining oil concessions in Iran-Soviet border regions, really represents a victory for the USSR.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

AMAG funds allotted to enlarging the Greek Army will be diverted to the formation of a National Defense Corps, which can be more quickly organized than new army units to combat the guerrillas (see item 2).

CHINA

No significant new development.

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EUROPE

1. **FRANCE:** MRP leaders believe De Gaulle Government inevitable-- US Ambassador Caffery reports that two high-ranking leaders of the Popular Republican Movement (MRP) have declared their belief that an ultimate De Gaulle Government is "inescapable." The leaders stated that the MRP, though temporarily backing Ramadier, will try to help De Gaulle, with the aim of "reducing the showdown to a minimum."

2. **GREECE:** Formation of National Defense Corps approved by US-- The Department of State has approved the recommendation of AMAG that \$6 million be used for the formation of a Greek National Defense Corps of 16,000 men instead of for a permanent increase of 10,000 in the Greek Army.

FAR EAST

3. **INDONESIA:** US officers report on conditions in Indonesia--US Consul General Batavia reports the views of the US Navy and Army Advisory Group that: (a) Republican leaders and intelligentsia have not been disheartened by Dutch military superiority; (b) the political structure of the Republic appears sound with no rift evident between political and military leaders; (c) the divergence of views of Dutch and Republican leaders is so great that no agreement is possible without third-party pressure; and (d) Republican leaders admit the need of Dutch assistance but prefer that such aid be supervised by a third power.

4. **KOREA:** Rightist subversive activities in US Zone--Political Adviser Jacobs reports that US authorities are now faced with considerable subversive activities on the part of the extreme Rightists in addition to the subversive tactics of the Leftists in South Korea. Jacobs predicts that Rhee Syngman, leading Rightist, will refuse to accept any UN proposal which involves UN-supervised elections

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since such supervision would impair his chances of victory. Jacobs adds that Rhee is determined to establish himself as head of a South Korean Government under US protection, regardless of the effect of such a move on Korean unification.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



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GENERAL

1. US position concerning Bevin-Sforza conversations--In reply to a British inquiry regarding US views on the forthcoming Bevin-Sforza conversations in London, the Department of State has indicated to UK Embassy Washington that the US hopes that: (a) Bevin will stress the firm intention of the UK to support fully the rehabilitation efforts of the present Italian Government and of moderate democratic groups in Italy; (b) Bevin will indicate that the joint UK-US policy of firmness toward Yugoslavia will be continued to insure a truly independent Free Territory of Trieste; and (c) the UK will return to Italy the entire UK share of the Italian Fleet.

2. New Soviet Ambassador to US reported Far Eastern expert--US Embassy Moscow has been informed that Alexander Panyushkin, new Soviet Ambassador to the US, is "high in Communist Party circles," being a full member of the Party Control Commission and a member of the Party's Central Committee. During his tenure as Ambassador to China from 1939 to 1944, Panyushkin is reported to have enjoyed direct access to Stalin and to have had intimate contacts with the Chinese Communists. Following his recall from China, Panyushkin served as special adviser to the Soviet Foreign Office on Far Eastern Affairs.

(CIA Comment: Panyushkin's appointment as Ambassador to the US probably reflects increasing Kremlin concern over Far Eastern affairs and may indicate a Soviet intention to make strong representations in future discussions concerning China, Korea, and Japan.)

3. Reported Soviet-inspired military operations in Greece--US Charge Horner in Sofia reports that, according to a reliable informant, the Soviet "master plan" at present anticipates the initiation of military operations against Greece by its northern neighbors on or about 15 December. According to source, the wife of Premier Dimitrov's secretary indiscreetly told members of her family that Dimitrov had written from Czechoslovakia describing Soviet intentions. She

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stated that the Soviet internal situation is so "restive" that the Soviet people must be distracted by a military offensive.

(CIA Comment: Although there have been numerous unconfirmed reports of increased movements of troops and arms in Yugoslavia and Bulgaria, such reports probably suggest intensified covert military aid rather than overt operations by the Satellites. CIA discounts the above report for the following reasons: (a) it is improbable that Dimitrov would write concerning plans of this nature in a letter or that any precise information would be transmitted to the secretary's wife; (b) the reason given by source for such Soviet action is untenable; (c) the USSR is committed by the peace treaty to withdraw its troops from Bulgaria by 15 December and will probably not sanction overt military operations at a time when world attention will be focused on Soviet compliance with this treaty provision; and (d) it is still believed that the USSR is not ready to risk precipitating a war with the West.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



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GENERAL

1. Increased Rumanian participation in Greece fighting expected--US Military and Naval Attaches Bucharest have been informed by a "consistently" reliable source that over 200 Rumanian technicians have left to become military and civilian officials at General Markos' Communist headquarters in Greece. Source expects a considerable increase in this movement following the conclusion of "Soviet-Rumanian" friendship week on 7 November. The Attaches believe that the "terrific build-up of propaganda" in the Rumanian press is preparing the public for participation of Rumanians in the Greek struggle, "even to the point of open involvement."
2. US asked by King Paul to give asylum to Rumanian royal family-- King Paul of Greece has expressed to US Charge Keeley in Athens his anxiety concerning King Michael of Rumania and Paul's sister, the Queen Mother. According to Paul, both Michael and Helen believe that they are open to such dangers as liquidation by poison, arrest, or exile. Paul asked whether the US Legation in Bucharest could grant asylum to the royal family in the event of imminent action against the family by the Rumanian Government.

EUROPE

3. FRANCE: DeGaulle believed not seeking office now--US Ambassador Caffery reports his opinion that, despite General de Gaulle's 27 October press statement, DeGaulle does not desire to enter the Government now because: (a) he believes that during the next four or five months the French Government will "have a rough time," even with US aid; (b) DeGaulle knows that he does not now have even a simple majority in the Assembly; and (c) DeGaulle wants to be able to say to the French during the winter when the going is bad, "You did not follow my advice and see where you are now."

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FAR EAST

4. **FRENCH INDOCHINA:** French imply US approves offensive--US Embassy Paris has learned from the Chinese Embassy that French officials in Paris have implied that the US had approved the fall military offensive in Indochina. According to the Chinese Embassy, French Foreign Office officials reasoned that the Dutch would not have dared to undertake military operations in Indonesia without US assurances of non-opposition and that, consequently, the US would take the same attitude toward French operations in Indochina.

THE AMERICAS

5. **MEXICO:** Failure of foot-and-mouth disease campaign--US members of the Joint Commission for the eradication of the foot-and-mouth disease in Mexico have informed Ambassador Thurston that they have "reluctantly but definitely" reached the conclusion that the eradication campaign cannot succeed and are recommending to US Department of Agriculture a new plan for containment and vaccination. Ambassador Thurston recommends that no "abrupt or tactless unilateral action be taken by the US" and that, if a new course is adopted, President Aleman be permitted to take the initiative, if that is feasible.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

AMAG Chief Griswold urges that \$15 million of Foreign Relief funds be made available for Greek refugees in northern Greece (see item 6).

CHINA

The USSR has reportedly reminded the Chinese National Government that unilateral Chinese action on Japanese peace negotiations would violate the 1945 Sino-Soviet Treaty of Friendship (see item 1).



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GENERAL

1. Soviet pressure on China concerning Japanese peace treaty--US Ambassador Stuart reports that, according to the Chinese G-2, the Soviet Embassy Nanking has addressed a communication to the Chinese Foreign Office which: (a) reminds China of its obligation (under the Sino-Soviet Treaty of 1945) not to conclude a separate peace with Japan; (b) warns that if China ignores this reminder and proceeds without the USSR, the Soviets will "take such steps as deemed necessary"; and (c) requests that the Soviet communication be presented to the Generalissimo.

(CIA Comment: Chinese participation in Japanese peace negotiations without Soviet consent could be interpreted as a violation of the Sino-Soviet Treaty and, as such, would offer the USSR a legal basis for abrogation of the Treaty. Since the Treaty stipulates that the USSR shall respect Chinese sovereignty and shall render support and military aid to the Chinese National Government to the exclusion of the Chinese Communists, CIA believes that China would risk its abrogation only if assured of substantial US aid and support.)

2. Norwegian Foreign Minister critical of US policy in UN--Foreign Minister Lange, head of the Norwegian delegation at UNGA, has told US Embassy Oslo that he is extremely pessimistic concerning the growing antagonism between the US and the USSR and is convinced that a "complete paralysis" of international life is approaching unless the two powers can reach some basis for agreement on major issues.

Lange, whom the Embassy regards as "entirely western-minded and friendly to the US," considers that the US delegates gave the impression that they had arrived at the UN meetings with their patience already exhausted. Lange felt that the US was "trying to drive the Russians out of UN," but he was convinced from a conversation with Gromyko that the USSR would not forsake such a valuable "propaganda instrument." He also expressed the opinion that US intransigence against acceptance of the Ukraine for the Security Council stiffened Soviet antagonism and was bad tactics from the American point of view.

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3. Top Balkan leaders reported meeting in Rumania--US Military and Naval Attaches Bucharest report that top Balkan leaders are currently meeting in western Rumania. The Attaches state that the presence of Tito, Premier Groza of Rumania, and leading Rumanian Communists is confirmed, and that unconfirmed information indicates the presence of Premier Dinnyes of Hungary and Premier Dimitrov of Bulgaria.

(CIA Comment: Many conflicting rumors have been received concerning an imminent conference of top Balkan officials. The purpose of such a meeting presumably would be to plan for further Soviet consolidation of the Balkan states. CIA does not believe that the announcement of the much-discussed Balkan Federation will be made at this time.)

EUROPE

4. FRANCE: Bidault believes De Gaulle's return inevitable--US Ambassador Caffery quotes Foreign Minister Bidault as believing that General de Gaulle's return is inevitable. Bidault stated that he would be willing to work with De Gaulle "if he is reasonable." Bidault indicated that meanwhile he will do his utmost to keep Ramadier in power but doubts that the Government will last long.

Caffery reports also that a high official of the Interior Ministry has expressed the hope that the present Government will continue at least "four or five months" because De Gaulle "still lacks anti-Communist trade unionist support" which he will need when the showdown with the Communists occurs.

5. GERMANY: Murphy recommends public statement of US policy--US Political Representative Murphy in Berlin recommends that prior to the London meeting of the CFM a public statement be made on the US position regarding Germany. Murphy believes that the German internal situation requires a US effort to offset the wholesale Soviet attempt to swing German public opinion against the US. He warns that if the US remains silent and "goes into the London meeting cold, we can expect the USSR to take full advantage."

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6. GREECE: Seriousness of refugee problem in northern area--AMAG
Chief Griswold reports that in northern Greece 300,000 people forcibly evacuated from their villages are now entirely dependent on public financing for their basic needs. Griswold states that the number of these refugees is increasing by 30,000 monthly. Griswold urges that to aid the refugees an additional \$15 million be made available from the funds of the US Foreign Relief Program because: (a) the Greek Government is unable to provide adequate relief funds; and (b) failure to provide relief for the refugees "will not only cause human disaster but will also have serious ideological effects."

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EUROPE

1. FRANCE: Reported views of De Gaulle--US Embassy Paris quotes a source close to De Gaulle as saying that the latter is in no hurry to precipitate a showdown and feels that his group will gain by postponement of such a development. Source also "believes" that, if the Ramadier Government should fall, De Gaulle would not consent to form a government unless certain conditions were fulfilled. The principal conditions, according to source, would be that the Assembly approve: (a) a program for constitutional revision which would be submitted to popular referendum along with a proposal for the dissolution of the Assembly and new elections; and (b) "full powers to De Gaulle for a specified period."

Source added that it would be vitally important for De Gaulle to receive substantial financial aid from the US during the first three months following his return to power. This three month period, source said, would be needed to restore confidence and effect necessary reforms.

The Embassy also has been informed [redacted] that De Gaulle, who has previously shown little interest in or understanding of economic matters, has recently been receiving advice from a number of outstanding financiers and economists. This source expressed himself as confident that if De Gaulle came to power, he would adhere to the financial reform program now being drafted by the Committee of Experts, [redacted]

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

In further efforts to prevent economic collapse, the UK has stopped all US tobacco imports, has made plans to reduce further the food ration, and has slashed all capital expenditures.

GREECE

No significant new development.

CHINA

Recent statements by the Chinese Foreign Minister confirm earlier indications that the National Government's fear of an open conflict with the USSR is a controlling factor in China's attitude toward the Japanese peace treaty (see item 1).

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GENERAL

1. Chinese attitude toward Japanese peace treaty--Acting Secretary Lovett has advised US Embassy Nanking that Chinese Foreign Minister Wang has made the following remarks pertaining to the Japanese peace treaty: (a) the Chinese proposal for use in the peace conference of the voting procedure and membership employed in the Far Eastern Commission will be referred to the Kremlin by Soviet Deputy Foreign Minister Vishinsky; (b) China is determined to adopt a firm attitude toward the Chinese Communists but will avoid action which might provoke the USSR; (c) one central aim of current Chinese foreign policy is the re-establishment of National Government control over Manchuria; and (d) if the US and UK accept the Chinese proposal but the USSR refuses, China will have to consider the possibility of proceeding without the USSR despite the Sino-Soviet Treaty of 1945.

(CIA Comment: These remarks by Wang support other recent indications that, unless it is assured of substantial US assistance, the Chinese Government will probably find it necessary to adhere to the Sino-Soviet Treaty of 1945 which bars both parties from undertaking separate negotiations with Japan.)

2. Soviet aircraft reportedly aiding Greek guerrillas--US Minister Chapin in Budapest has learned from a "highly reliable authority" that, according to an "unimpeachable" source, the Soviet Air Force has been using the Szekesfehervar airfield (about 40 miles southwest of Budapest) as a base for bombing expeditions to Greece.

(CIA Comment: Although some 200 Soviet planes recently have been observed at the Szekesfehervar field, no such operations have been reported by Greek sources. Moreover, it is considered extremely unlikely that the USSR would at present engage in such overt participation in the Greek civil war.)

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EUROPE

3. SPAIN: Official hopes for changed US policy--US Charge Culbertson reports that a high official of the Spanish Foreign Office has appealed to him in the hope that the US can make some modification of policy toward Spain. The official pointed out that although there could be no question of Spain's eventual position in the event of war, Spain could not oppose the USSR because of an inadequately equipped army and an almost complete lack of airdrome facilities. He added that because of the inadequate facilities, the Western Powers would be prevented from sending in air forces and airborne troops.

FAR EAST

4. INDONESIA: Republic will meet Three Power Committee--US Consul General Batavia reports that Republican Vice Prime Minister Gani has announced his Government's willingness to cooperate with the UN Three Power Committee for Good Offices. Gani specified, however, that discussions be held outside Dutch-controlled territory.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

In an attempt to enable the French Government to make rapid decisions in dealing with expected economic and political crises, Premier Ramadier has reduced the size of his Cabinet.

GREECE

The guerrillas have returned to the offensive in Greece after a period of comparative quiet during which they regrouped. A strong attack by 3,000 guerrillas on the key town of Metsovo threatens the Government's east-west line of communication in central Greece.

CHINA

The importance which the Chinese National Government attaches to Manchuria is indicated by the Chinese Foreign Minister's recent statement to Secretary Marshall that re-establishment of Government control over Manchuria is "one central aim" of China's present foreign policy.

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EUROPE

1. **FRANCE:** Attache's evaluation of Revers interview--US Military Attache Paris transmits the following comments on his 20 October interview (see Daily Summary of 22 October, item 2) with General Revers and Colonel Fourcault: (a) Fourcault was unable to explain, except in general terms, his reasons for believing that war was inevitable within 2 months to 5 years, the basis on which he and Revers justified the request for US military aid and joint staff talks; (b) the French officers did not explain how the French, in view of the current manpower shortage, could raise one million men for the 20 to 40 divisions they wished to arm; and (c) because of Revers' position as "an active leader of current resistance mobilization efforts," it is highly probable that a US commitment for military aid would be at least partially diverted for use by resistance forces.

2. **UK:** Defense Minister discloses plans for Navy--UK Minister of Defense Alexander has told US Naval Attache London that recent press reports of an impending drastic reduction in the Royal Navy were the result of a "Tory leak." Alexander added that: (a) there will be a temporary lay-up of a number of combatant ships while the Navy is reorganizing its manpower (including a reduction in overall strength from 188,000 to 147,000 by 31 March 1948); (b) the Mediterranean Fleet will be maintained at its present strength; and (c) by next summer, the Home Fleet will comprise 1 battleship, 1 aircraft carrier, 3 heavy cruisers, 18 destroyers, and 20 submarines, in addition to a training squadron. According to Alexander, the UK will probably retain no ships in the Pacific but will depend on Australia to "show the flag where necessary."

3. **POLAND:** Morale of Polish Communists reported high--US Ambassador Griffis has been informed by "independent and usually well-informed sources" that Polish Communist leaders have been in high spirits since the signing of the Cominform agreement. Griffis comments that these reports, if true, may indicate that this Communist optimism results either from the resumption of the Communist offensive or from the receipt of special information, perhaps concerning Soviet armed strength or strategy.

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(CIA Comment: It is unlikely that the Soviets have given Polish Communists any significant strategic information. The mere establishment of the Cominform has bolstered Communist morale because of its indication of firm Soviet support of the satellite Communist parties. On the other hand, Polish Communists are also reportedly concerned over possible adverse local reaction to the Cominform announcement.)

NEAR EAST-AFRICA

4. PALESTINE: Jewish opposition to partition--US Consul General Jerusalem reports that over a third of the Zionist Jews in Palestine (in addition to a substantial number of non-Zionist Jews) oppose the partition plan now being considered by the UN General Assembly.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

As a means of reducing the political effect of any future Soviet offer of wheat to Italy, Ambassador Dunn suggests that the US publicly emphasize that the USSR, despite its reportedly good harvest, has given no assurances to needy countries that they can count upon Soviet aid (see item 1).

GREECE

There are indications of a crisis in the Greek Socialist Party on the issue of continuing cooperation with the Communists, immediately precipitated by disillusionment over the execution of Petkov. The small but important Socialist Party will probably break with the Communists because of the implications of the Petkov execution and because of a suspected Communist program for nationwide sabotage.

CHINA

No significant new development.

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GENERAL

1. Dunn urges Soviet wheat for Italy and France--US Ambassador Dunn at Rome recommends that the US immediately begin a publicity campaign to emphasize that although the USSR reportedly has a good harvest, the Soviet Union has given needy countries no assurance that they can count on Soviet assistance. Dunn believes that if public opinion were directed toward the view that the USSR has exportable wheat and a moral responsibility to supply it, the US might not only reduce Soviet political gains from any wheat offer made by the USSR to Italy but could also take credit for having influenced such Soviet action. Dunn also believes that the US should encourage the USSR to pour wheat into world trade channels and that the US should provide ships and dollars for moving such wheat to France and Italy.

(CIA Comment: A recent Soviet official announcement reports that this year's Soviet grain crop exceeds that of last year by 58.7%. CIA considers this claim greatly exaggerated and estimates that the amount of grain harvested and stored this year is about 20% above that of last year. If the estimate of 20% is accurate, the USSR now has approximately 6 million metric tons in excess of domestic consumption requirements. Because of limited transportation and storage facilities, however, it is believed that only about 2 million tons of this surplus could be exported to Western Europe.)

EUROPE

2. FRANCE: Joint US-French staff talks suggested--Following an interview with General Revers, French Chief of Staff, and Colonel Fourcault, deputy director of French secret intelligence, the US Military Attache Paris reports General Revers' views that: (a) if the US were to furnish military equipment adequate for a minimum of 20 divisions or for a maximum of 40, a million Frenchmen under 30 could be guaranteed to fill the divisions; (b) the force thus provided would be capable of holding a Soviet advance long enough to secure French port areas and landing beaches for US troops if needed; (c) discussions in Washington between the US Joint Chiefs of Staff and suitable senior French military personnel for working out closely coordinated military plans are both essential and urgent; and (d) "the threat of war could

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be almost certainly eliminated" if the USSR were faced by early spring with a carefully-planned and well-coordinated US-UK-French military program. The Military Attache adds that he understands that the interview had been cleared by Revers with the Minister of War and Premier Ramadier.

3. HUNGARY: Political leader comments on war scare--Istvan Barankovics, president of Hungary's largest opposition party, has told US Minister Chapin of the growing conviction among Hungarian non-Communists that war between the US and the USSR is not only inevitable but imminent. Barankovics believes that the higher Catholic clergy are encouraging war expectancy and that the tone of the Voice of America broadcasts is "too bellicose." To counteract this war psychosis, Barankovics: (a) said his party will attempt to persuade the Vatican to exercise a moderating influence on the Catholic clergy in Hungary; and (b) suggested that the US broadcasts, in addition to answering belligerent Soviet press attacks, reassure southeastern Europe as to US desires for continued peace.

4. RUMANIA: Governmental campaign against National Liberal Party-- According to the US Military and Naval Attaches, the Government has opened its drive for abolishing the National Liberal Party. (With the elimination of Maniu's National Peasant Party, the National Liberals constitute the chief remaining obstacle to the establishment of a single-party system.) The Attaches believe that the National Liberal Party will be abolished during the next few weeks.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



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EUROPE

1. **FRANCE: Ramadier believed weakened by elections--US Ambassador Caffery expresses the view that the results of the recent elections raise a serious question regarding the position of the present Ramadier coalition government. Caffery believes that the success of the De Gaulle group, combined with the defeat of the Catholic Popular Republicans, tends to upset the present equilibrium in the French legislature.**

FAR EAST

2. **KOREA: Soviet acceptance of proposal for recess--Political Adviser Jacobs reports that the Soviet Delegation has accepted the US proposal for a recess of the Joint Commission. Jacobs points out that General Shtikov, Chairman of the Soviet Delegation, has described the US action as a proposal for "an interruption of the work" of the Commission but that Shtikov has failed to make clear whether the USSR considers the present move a "recess" or an "adjournment."**

(CIA Comment: The USSR will probably continue to affirm the legal existence of the Joint Commission in order to maintain that the Commission is the proper instrument for implementing the Moscow Decision. In this way, the USSR will be able to justify its probable boycott of any UN decision in support of the US draft resolution calling for zonal elections to establish a unified government.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

Premier Spaak of Belgium believes that France is fundamentally in a sounder position than the UK and that given a year of good crops and a strong Government, the French will make a fairly early economic recovery (see item 1).

GREECE

The Greek Army may have to withdraw from Eastern Thrace unless it takes immediate offensive action against the guerrillas (see item 4).

CHINA

A reportedly imminent Nationalist counteroffensive in Manchuria would play into the hands of the Chinese Communists by placing the Nationalists in positions more vulnerable to Communist attack (see item 5).



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GENERAL

1. Spaak believes French condition better than British--US Ambassador Kirk reports from Brussels that Premier Spaak believes that France is fundamentally in a sounder position than the UK. Spaak points out that French agricultural resources were basically untouched by the war and that one year of good crops would greatly alleviate the food problem. He believes that France's recovery depends on its finding political leadership capable of carrying out drastic financial reforms, balancing the budget, restoring confidence, and preserving order. Spaak considers that both Ramadier and Bidault are weak and that De Gaulle will ultimately return to power. Spaak thinks that the French may make a fairly early recovery, if given a stronger government, but that the UK is in a more serious condition because of the exhaustion of its capital resources and its outworn economic system.
2. Tito reported about to conclude Yugoslav-Rumanian assistance pact--US Ambassador Schoenfeld in Bucharest has been reliably informed that Marshal Tito is expected in Bucharest on 25 October, probably to conclude the Rumanian-Yugoslav mutual assistance pact drawn up last June.

EUROPE

3. FRANCE: Communists may seek immediate showdown with De Gaulle--According to Ambassador Caffery, [REDACTED] the Communists may attempt to bring about a final showdown with De Gaulle immediately, because their chances of success are greater now than they would be when De Gaulle's organization is more firmly established. Caffery's sources believe also that the Communists will increase the tempo of their attacks on the Government in order to cause Ramadier's fall and thus induce De Gaulle to make a "premature" attempt to return to power. The Communists believe they can defeat such an attempt by general strikes, mass demonstrations of force, disorder, and intimidation.

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4. GREECE: Seriousness of military situation emphasized--US Military Attache Athens reports that Lieutenant Colonel Miller (US member of the now-defunct UN Sub-Commission in Greece) and Congressmen Teague and Jackson are "deeply disturbed" by the military situation in northern Greece. Miller informed the MA that guerrilla action had made rail and road communication in Thrace and Macedonia almost impossible. Miller expressed the opinion that unless the Greek Government forces take the offensive immediately, they will very soon be unable to do so and may have to withdraw from Eastern Thrace. Miller reiterated his "urgent plea" that US tactical officers be made available for giving operational advice to the Greek Army.

FAR EAST

5. CHINA: Nationalists may start counteroffensive in Manchuria-- According to US Consul General Mukden, local reports indicate that the Chinese National Government is contemplating a counter-offensive in Manchuria. The Consul General comments that such an offensive might fall in with Chinese Communist plans by drawing Nationalist troops away from present strong points so that small moving units can be attacked.
6. INDONESIA: Expected Dutch attitude toward UN Commission-- US Military Observers in Java believe that the Netherlands Government will ignore any action by the Three Power Commission for Good Offices which runs counter to the present Dutch concept of a United States of Indonesia.

CONFIDENTIAL

GENERAL

1. Bevin discusses world situation with Congressmen--US Embassy
London reports that Foreign Secretary Bevin, in an interview with US Congressmen Taber, Wigglesworth, Cannon, and Dirksen, stated his belief that the USSR's objectives are the "strategic aims of Czarist Russia" plus the aim of world-wide revolution motivated by Communistic "religious fervor." Soviet immediate aims, according to Bevin, are to gain control of the Middle East and the Mediterranean through Iran and Greece and to penetrate western Europe through Austria. Bevin added that, though the danger exists that constant USSR pressure to extend its influence might set off a conflict, he feels that war is not imminent because the USSR is not prepared for it. Bevin advocated "firmness and a display of force" to stop the USSR.

In reply to a request for comment on Palestine, the Foreign Secretary avoided any statement of British intentions if the UNGA accepts the UNSCOP report. He stated that many of the Jews attempting to go into Palestine as illegal immigrants were not refugees at all, but "healthy young men who had been indoctrinated in the Communist school."

2. USSR reportedly supports Zionist movement in Rumania--US Military Attache Bucharest "accepts completely" a report from a reliable source that the Zionist movement in Rumania is working in closest liaison with Soviet officials. Source states that the last refugee ship from the Black Sea area carried several hundred "specially selected" Soviet nationals and that emigrants are "checked out" by the Ministry of Interior and the chief of the Rumanian secret police.
3. Yugoslavs urge that Italian boundary negotiations begin--The Italian Legation in Belgrade has informed US Embassy Belgrade that Yugoslavia is insistent that work on the definitive delimitation of the Italo-Yugoslav frontier begin immediately. The Italians believe that: (a) the violent Yugoslav press campaign against Italy and the

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movement of Yugoslav troops are designed to blackmail Italy into accepting Yugoslav frontier demands; and (b) the impatience of the Yugoslavs is motivated by a desire to take advantage of the tense situation they have created.

EUROPE

4. RUMANIA: More active support of Greek guerrillas urged--US Minister Schoenfeld has been told by a trustworthy informant that leading Rumanian Communists believe that: (a) the present "problem" in Rumania's foreign policy is the Greek question; (b) Government leaders should plan on the possibility of Rumania's participation in armed conflict involving Greece; and (c) young Communists should be urged to join the two Soviet-trained Rumanian divisions so as to become "volunteer" material for aiding Greek guerrillas.

(CIA Comment: This report, though possibly exaggerated in tone, is borne out by mounting evidence that Rumania is preparing for more active support of the Greek guerrillas.)

US policy toward Maniu trial--The Department of State has informed Embassy London and Legation Bucharest that, in an attempt to prevent the conviction on specious charges of Iliu Maniu, National Peasant Party leader, the US intends to exhaust the possibilities of the peace treaty machinery. The Department indicates that despite the unlikelihood of achieving under present conditions any material improvement in Rumania, the US plans to follow through against Soviet obstruction in an effort to obtain UN condemnation of Rumanian action.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



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GENERAL

1. Brazil to break relations with USSR--The Brazilian Government has communicated to US Charge Key its decision to break relations with the Soviet Union by 18 October and has requested the US to assume protection of Brazilian interests in the USSR.
2. Arab views on Soviet support of UNSCOP report--US Embassy London transmits the opinion of the head of the London Arab Office that the Soviet statement favoring the UNSCOP majority report on Palestine is based on three considerations: (a) the formation of an international constabulary under UN auspices would enable the USSR to insert Soviet volunteers; (b) an imposed partition would embroil the Arabs with the US and UK, thus creating "troubled waters" favorable to Soviet activities; and (c) the existence of a Jewish state, which would depend largely on financial support from the US, would create a continuing irritant to Arab-US relations which the USSR could capitalize upon whenever it decided to move into the Middle East.

EUROPE

3. FRANCE: Bidault urges use of force in strikes--US Ambassador Caffery reports that Foreign Minister Bidault has urged Premier Ramadier to stand firm in the face of the Paris strikes and to use force if necessary.

Government accused of encouraging strikes--Caffery also reports that leaders of the General Confederation of Labor (CGT) are accusing the Government of encouraging the subway strike begun by the independent union. The CGT leaders claim that the Government has so acted in the belief that the CGT would not participate in the strike just before the elections and thus would permit the victory of the anti-CGT minority movement. The CGT leaders stated that there would be no general strike until after the elections but that one may develop then.

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(CIA Comment: If the municipal elections of 19 and 26 October indicate a loss of strength for the French Communist Party, the likelihood of a successful general strike will decrease. If, however, the Communists show an increase or retain their present strength, the Communist-led CGT is likely to attempt a general strike in an effort to return the Communist Party to the Government.)

4. AUSTRIA: Government reportedly satisfied with Soviet explanation--
US Commanding General Keyes reports that the Austrian Government is satisfied with the Soviet Commander's explanation of the removal of three Austrian police chiefs (see Daily Summary of 14 October, item 4), inasmuch as Soviet officials do not question the right of the Austrian Government to replace the three officials. The replacements, according to the Soviet Commander, must be acceptable to the USSR but need not be Communists.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

Ambassador Griffis favors an International Bank loan to Poland as a possible means of providing more coal for Western Europe (see item 1).

GREECE

A stepped-up guerrilla campaign of sabotage, road mining, and looting has made conditions in eastern Macedonia nearly as bad as those in Thrace. Greek Army units are evacuating villages in order to deprive the guerrillas of supplies and recruits. Meanwhile, friction in the Greek Government over reorganizing the Army high command is delaying the military campaign against the guerrillas.

CHINA

The Chinese Government's financial adviser, Dr. Young, suggested that any US aid program for China should provide for international participation (see item 3).



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GENERAL

1. Griffis favors International Bank loan to Poland--US Ambassador Griffis in Warsaw has expressed himself as favoring an International Bank loan to Poland for the purpose of increasing Polish coal production. Griffis bases his opinion "solely upon the chances of its aid to western European rehabilitation."

EUROPE

2. POLAND: Mikolajczyk believes Cominform primarily defensive--Mikolajczyk, chief of the opposition Polish Peasant Party, has informed US Embassy Warsaw of his strong belief that the Cominform was created for the purpose of consolidating defenses against the West and that, for the present at least, its aims are not aggressive.

Parliamentary immunity from arrest may be removed--Mikolajczyk further stated that he had definite information of Polish Government plans to introduce at the late October parliamentary session a bill removing the deputies' parliamentary immunity so that the Government will be able to arrest influential members of the Polish Peasant Party, including Mikolajczyk.

FAR EAST

3. CHINA: International participation in aid program suggested--Dr. Arthur Young, financial adviser to the Chinese National Government, has expressed the opinion to Ambassador Stuart that in undertaking any aid program for China the US should: (a) make a legislative provision permitting UN control, so that there would be no appearance of by-passing the UN; and (b) include representatives of other nations in possible panels of experts to work with the Chinese on economic and financial matters. Young commented that by so doing the US could avoid the "earlier misunderstanding in the case of Greece and Turkey." Young suggested the inclusion of UK, British Dominion, Scandinavian, and possibly Latin American members.

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US bank plans \$50,000,000 credit to China--The Department of State has told National City Bank officials that it has no objection to that bank's plan to extend a US \$50 million credit to the Chinese National Government for cotton and machinery imports. This credit, bank officials feel, will support the positions of the Governor of the Central Bank of China and two of his colleagues, who otherwise may be ousted by political opponents.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



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GENERAL

1. USSR rejects Brazilian protest--US Embassy Moscow has learned from the Brazilian Ambassador that the USSR has "curtly" refused to accept the Brazilian protest about a Soviet press attack on President Dutra. The Ambassador believes it likely that Brazil will break relations with the Soviet Union. (The Brazilian Government had previously informed the US that it intended to break relations with the USSR, if the protest were rejected.)

EUROPE

2. GERMANY: Dismantling lists to be announced--Acting US Political Representative Steere reports that the list of the 682 industrial plants to be dismantled in the German bizonal area will be made public on 16 October. Steere adds that the list will include 302 "strictly war plants" and 380 other industrial plants, and that many plants in both categories have already been dismantled.

(CIA Comment: Although the UK Government is fully supporting the dismantling policy, some groups in the UK have long held that the US-UK policy toward Germany is too severe. Aware of this opinion, voiced as recently as 14 October by a UK Liberal Party spokesman, German leaders may intensify the current agitation against the dismantlings.)

FAR EAST

3. INDONESIA: Final consular report lacks findings of US observers--Chairman of Consular Commission Foote reports from Batavia that because of pressure from various foreign offices and the Security Council, the joint consular report of 15 October is being submitted without the findings of US military observers (see Daily Summary of 13 October, item 8). Foote recommends that the US observers continue their surveys in order that they may be included in subsequent reports.

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CRITICAL SITUATIONS

14

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

The Generalissimo has told US Congressmen that a Nationalist defeat in Manchuria would be attributable to US failure to give promised aid. The Chinese National Government has indicated by urgent requests to Ambassador Stuart that it is desperate for ammunition (see item 8).

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GENERAL

1. Views on implications of Cominform--US Embassy Rome has been told by the Counselor of the Polish Embassy in Rome that the establishment of the Cominform would not result in any change in either Polish or Soviet foreign policy. The Counselor interpreted the Warsaw declaration as a statement of policy for the Communist parties of Europe rather than for the Eastern European governments.

2. US protest against dissolution of Petkov's Party urged--US Charge Horner in Sofia recommends that the US inform the Bulgarian Government that the law dissolving Petkov's opposition Agrarian Party is incompatible with Article II of the Peace Treaty, which guarantees civil and political rights.

3. Communists criticize US at Keflavik--US Legation Reykjavik recommends that the Air Department consider increasing the number of US military flights through the Keflavik airport. The Legation points out that the US-Icelandic airport agreement is based on US obligations to support control agencies in Germany. The Legation further emphasizes that the Icelandic Communist press has a good argument that present personnel at the Keflavik airport is far greater than needed to service the current schedule of one flight per week in each direction. (US personnel at Keflavik now numbers approximately 1,000.)

EUROPE

4. ITALY: Lombardo plans to form new Socialist party--US Embassy Rome reports that Socialist Leader Lombardo plans immediately to form a new Socialist party which would include most of the Saragat moderate Socialists and part of the Nenni left-wing group. The Embassy adds that the new party will seek to achieve success for the Marshall proposals and that Lombardo hopes thereby to gain the adherence of the Saragat followers and to split the Nenni supporters.

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(CIA Comment: Announcement of the Cominform and its anti-US policy may cause a split in Nenni's ranks and will increase Lombardo's chances of success with his new party.)

The Embassy also reports that De Gasperi's victory in the no-confidence vote not only weakened the Marxian parties in the assembly but also discredited them with the public. The Embassy adds, however, that unless the US promises long-term support to the Italian moderates, possible shipments of wheat from the USSR to Italy this winter would greatly increase the Communist Party's chances of gaining control of the Government through legal means.

5. RUMANIA: Preparations for Maniu trial--The US Military and Naval Attaches in Bucharest report that elaborate preparations are being made by the Rumanian Government to forestall any possible public demonstrations sympathetic toward Maniu (former National Peasant party leader whose trial is scheduled for 13 October; see Daily Summary of 11 October, item 2). The Attaches believe it certain that US prestige with the Rumanian people will depend on what action the US takes. They add that Rumanians are surprised that the US has so far shown no interest in the forthcoming trial.

Soviet troops may be increased--The Attaches also report indications that, despite treaty ratification, Soviet occupation troops will be augmented rather than decreased. They point out that Rumanian units are being moved to make more billeting facilities available.

(CIA Comment: Preparations may be in progress to receive Soviet troops evacuated from Bulgaria. There is no evidence at present, however, that evacuation of Soviet troops from Bulgaria actually has begun.)

6. BULGARIA: Petkov's confession not believed authentic--US Charge Horner believes it "highly unlikely" that a facsimile letter allegedly signed by Petkov and published in the press is authentic.

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NEAR EAST-AFRICA

7. PALESTINE: Jews fear British withdrawal--US Consul General Jerusalem reports general agreement in the Palestine Government that the Jewish community in Palestine is "deeply frightened by the prospect of British withdrawal." He adds that many Jews do not appear confident that Haganah, the Jewish Defense Force, could handle security problems when the Jews are "left alone with the Arabs."

According to US Embassy London, a Jewish Agency representative has indicated deep concern over the possibility that the UK will withdraw first from the Arab areas of Palestine and thereby give the Arabs the opportunity to consolidate their position in the vacated area.

FAR EAST

8. INDONESIA: Consular Commission submits final report--In its final report to the UN Security Council, the Consular Commission in Batavia has found that neither the Dutch nor the Republicans had confidence that the other side would carry out the Security Council's cease-fire order and that no attempt was made by either side to come to an agreement with the other about implementing the order. The Commission further reports that: (a) the influential class of Indonesians, which numbers not more than five percent of the total population, seeks some form of independence but does not necessarily support the Republic; and (b) "there is little hatred of the Dutch whose assistance in running the country is recognized as essential."
9. FRENCH INDOCHINA: National Union Front leader assassinated--US Consul General Saigon reports that Nguyen-van-Sam, one of the chief leaders of the National Union Front Party, was assassinated in Cochin China on 10 October. The Consul adds that the Viet Minh may have been responsible but the murder could have been inspired by the French as a warning to Nationalist leaders who are insisting upon independence.

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THE AMERICAS

10. ARGENTINA: Anti-aircraft materiel sought--President Peron has informed US Ambassador Bruce that Argentina: (a) is contemplating a two-and-a-half-year contract with Skoda of Czechoslovakia for the purchase of 200 88mm anti-aircraft guns with necessary fire-control equipment and munitions; (b) has at present no such materiel and considers its acquisition "absolutely necessary"; and (c) would much prefer to purchase equivalent materiel in the US in order to implement the arms standardization recommended by US authorities.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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GENERAL

1. Soviet General reported apprehended in break for US Zone Austria --
[REDACTED] has relayed to USFA Vienna a report that a Soviet General of technical troops, who was attempting to reach the US Zone Austria, was apprehended when his plane made a forced landing in western Hungary in early September. Under torture the General is said to have disclosed to the MVD that he was attempting to reach US authorities to warn them that the USSR had already sent to its representatives abroad, particularly in the US, explosives which, if not atomic bombs, were at least of comparable potency.

25X1X6

[REDACTED]

USFA Vienna considers that the story is probably partially true, but believes that the Communist leader may have made embellishments concerning the shipment of explosives to Soviet agents abroad.

(CIA Comment: There appears no reason to doubt that a Soviet General might attempt to reach US Zone Austria. However, the references to explosives being shipped to Soviet agents abroad seem to be either a product of source's or sub-source's imagination or the result of a deliberate Soviet plant.)

2. Mufti reportedly planning Arab government for Palestine --US
Minister Pinkerton in Beirut reports that the Grand Mufti is working out details for setting up a government of his own in Palestine which would become operative in the event of British withdrawal and the establishment of a Jewish government. Pinkerton adds that the Mufti's government would be set up south of the Syrian border, and that the Arab states would accord it such military protection "as might be required."

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EUROPE

3. **FRANCE:** Communists still desire to re-enter Government--US Ambassador Caffery has been reliably informed that, despite the formation of the Cominform, the French Communist Party's objective still is to re-enter the Government because the Party believes that it can thus best serve Moscow. Caffery's informant understands that the Communists have put out "indirect feelers" through "certain Socialist Left-Wingers" to Premier Ramadier looking to Communist re-entry into the Government. Ramadier reportedly rejected the idea flatly on the ground that in or out of the Cabinet the Communists would continue to work against French recovery and attempt to sabotage the Marshall proposals.

4. **AUSTRIA:** Government to protest Soviet removal of police--US Minister Erhardt reports that the Austrian Cabinet at a special meeting decided to protest Soviet removal of three Austrian non-Communist police chiefs in the Soviet Zone. The protest will be made first to the Commander Soviet Forces Austria and, if his reply is unfavorable, will be carried to the Allied Commission for Austria (ACA). Erhardt adds that Chancellor Figl realizes that, unless they are vigorously opposed, these actions will lead to further efforts to tighten the Soviet grip on eastern Austria and eventually to partition of the country.

5. **BULGARIA:** Wreath laying on Petkov grave protested--The Bulgarian Acting Prime Minister has told US Charge Horner that the laying of a wreath on Petkov's grave by members of the Smith-Mundt congressional committee constituted an act of "rude interference" in Bulgarian internal affairs and "would adversely affect" US-Bulgarian relations. The Acting Prime Minister added that the Bulgarian Government would have to consider whether in the future it should grant visas to members of Congress.

6. **RUMANIA:** Maniu trial postponed--US Minister Schoenfeld reports that, despite complete preparations, Maniu's trial has been postponed without explanation until 2 November upon orders of the

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Communist Central Committee. (The trial was to begin on 13 October; see Daily Summary of 11 October, item 2.)

Nation-wide resistance reported underway--The US Military and Naval Attaches have submitted a report from a "good source" that a nation-wide resistance movement is well underway, with four centers currently organized: one in Moldavia, and three in Transylvania. Source states that these groups listen regularly to the Voice of America and Radio Ankara and have considerable ammunition, small arms, AA guns, and radio equipment, but that they require additional supplies badly.

(CIA Comment: Although numerous fragmentary reports have been received of underground resistance in Rumania, it is not believed that the movement is sufficiently well-organized to be a danger to the Communist regime.)

NEAR EAST-AFRICA

7. IRAN: Qavam formulating oil resolution for Majlis--Prime Minister Qavam has informed US Ambassador Allen that he plans to have a committee of the Majlis propose a resolution calling for a five-year exploratory survey of north Iranian oil resources, to be followed by formation of a Soviet-Iranian company to exploit any oil found in commercial quantities (see Daily Summary of 8 October, item 2). Qavam asserted that he regards this plan merely as a device for dragging out the question indefinitely and for avoiding outright rejection of the Soviet request for an oil agreement. Allen believes that Qavam's plan would be objectionable to the Iranian public, which is overwhelmingly opposed to the formation of any Soviet-Iranian company.

FAR EAST

8. CHINA: Congressional committee interviews Chiang Kai-shek--US Ambassador Stuart reports that during a recent interview with members of the US House Military Affairs Committee, Chiang Kai-shek stated that: (a) the Nationalist position was extremely critical

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in Manchuria but fairly well under control in north China; and (b) China looked to the US to supply ammunition and would welcome an expansion of US Army Advisory Group operations. Chiang referred to the present predicament in Manchuria as "a US responsibility due to the Yalta Agreement," and remarked that if the Nationalists were finally defeated there, "it would not be because of the USSR or the Chinese Communists but because of China's ally during the war and China's trusted friend who failed to give promised assistance at this time of desperate need." (According to an AP report, a majority of the US congressional committee left this interview with the conviction that the US should make immediate aid available to the Chinese National Government.)

US ammunition urgently requested--According to US Military Attache Nanking, the Chinese National Government has submitted urgent requests for ammunition to Ambassador Stuart. One official, who requested 50-caliber aircraft ammunition, told Stuart that the Chinese Air Force has only 250,000 rounds left and that this would last only one week.

THE AMERICAS

9. CHILE: Coal strike seen as step toward Communist domination--US Ambassador Bowers reports his conviction that the coal strike, which began on 4 October, was "ordered from outside as a major effort of Communism to take over in Chile as a first step toward the continent." Bowers agrees with Foreign Minister Vergara's report that the Communists are preparing a similar strike in the copper and nitrate mines. Bowers again urges that the US, as a matter of duty and interest, support the Chilean Government's fight against Communism by adequate shipments of coal.

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GENERAL

1. US-Czechoslovak cultural agreement recommended--US Ambassador Steinhardt in Prague expresses his belief that a bilateral cultural agreement with Czechoslovakia would strengthen the US political position and encourage moderates to resist the advance of Communism. Steinhardt declares that Czechoslovakia is the only country within the Soviet sphere where such an agreement could be fully exploited.

EUROPE

2. RUMANIA: Trial of Maniu may start 13 October--US Minister Schoenfeld in Bucharest has just ascertained from a "usually well-informed source" that a preliminary indictment against Maniu was signed on 6 October 1947. Source adds that the trial is scheduled to last only five days and will commence on 13 October.

Source attributes the secrecy and the advanced date of the trial to: (a) instructions brought back from the new "Cominform" (the Communist Information Bureau, representing the Communist Parties of nine European countries, recently established at Warsaw); (b) a Communist desire to avoid possible US and British intervention under the terms of the Peace Treaty before the trial machinery is in motion; and (c) "Cominform" interest in quick disposal of Maniu and his followers in order to show complete solidarity in the Communist drive to crush all opposition in southeastern Europe.

3. GREECE: US operational advice to Greek Army urged--AMAG Chief Griswold expresses his belief that, because of the increased seriousness of the situation, US aid to Greece should now be extended to include operational advice to the Greek Army. Griswold's view is that, although the Greek Army is capable of defeating the guerrillas, US operational advice is essential to expedite the offensive and to avoid dangerous delay. Griswold adds that such aid would be a logical extension of the logistic aid and supplies already being furnished: it "would not--and should not--be a prelude to" US participation in combat.

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THE AMERICAS

4. **BRAZIL: Full support US in UNGA promised--The Brazilian Foreign Minister has told US Charge Key that he views with concern the Latin American countries' inadequate support for the US Delegation in UNGA and that the Brazilian Delegation in UNGA has been instructed "always to vote with and support" the US Delegation.**

(CIA Comment: Divergence between the US position in UNGA and that of certain Latin American delegations has been particularly noticeable with regard to Latin American support of the Ukrainian candidacy for a seat on the Security Council and Latin American reluctance to condemn Soviet-Satellite aid to the Greek Communists.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

In order to aid the UK in its present economic difficulties, the Union of South Africa has agreed to lend Great Britain about \$320 million in gold. The Dominion of Canada has reportedly indicated its willingness to contribute foods and materials to the European recovery program.

GREECE

No significant new development.

CHINA

No significant new development.

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GENERAL

1. USSR now reported favoring UNSCOP majority plan--The US Delegation at the UN transmits the Swedish delegate's opinion that the USSR now proposes to support the UNSCOP majority plan. If this plan were accepted, the USSR would then offer to send troops to implement the GA's decision.

(CIA Comment: This report contradicts a previous statement by Delegate Sandstrom that the USSR would oppose the UNSCOP report; see Daily Summary of 7 October, item 1. Although these reports of the Soviet attitude may be intended merely for propaganda effect, the stand finally taken by the USSR will be of key significance because Soviet opposition will certainly defeat the majority plan and Soviet support will make its defeat very difficult.)

EUROPE

2. TRIESTE: Rehabilitation of industry held imperative--General Airey, US-UK Commander in Trieste, reports that economic problems are becoming increasingly complex and require urgent re-consideration on an international level. General Airey recommends that, in order to thwart Communist political exploitation of the precarious economic situation, industry and shipping be rehabilitated beyond the minimum necessary to prevent disease and unrest.

Yugoslavs adopt new tactics--US Ambassador Cannon in Belgrade believes that Yugoslavia has not altered its program to annex the city of Trieste but has merely revised its methods in the face of firm Allied resistance to military pressure. Cannon believes that equal firmness must be employed to resist Yugoslavia's current tactics of labor agitation and economic penetration.

3. AUSTRIA: Increase in food ration urged--US Commanding General Keyes in Austria has asked for approval to support an expected request by the Austrian Government to raise the present food ration.

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Keyes expresses his belief that continuation of the present ration of 1550 calories will cause increased political unrest, bring about a lowering of industrial production, and lead to heavier Communist attacks on the Government.

(CIA Comment: CIA agrees that unless the low food ration is raised, the security of the present coalition Government will be endangered and economic recovery will be retarded.)

THE AMERICAS

4. **BRAZIL:** Possible rupture of relations with USSR--US Charge Key has been told by Foreign Minister Fernandes that Brazil will break relations with the USSR unless the latter apologizes for what the Brazilian Government terms a "slanderous" article about President Dutra in the "strictly-controlled Soviet press." The Foreign Minister added that events have demonstrated the impossibility of Brazilian-USSR cooperation, but Brazil would welcome a statement of US views concerning the contemplated rupture of relations.

5. **CHILE:** Communist "sabotage" ordered from abroad--President Gonzalez Videla has informed US Ambassador Bowers that his Government has "precise information" that: (a) the Chilean Communists are receiving instructions from regional headquarters in Buenos Aires and Rosario; (b) these headquarters maintain close contact with the Communist center in Belgrade; (c) numerous Communist agents, mostly Yugoslavs, have appeared in Chile in recent months, travelling on Chilean passports allegedly forged at the Buenos Aires-Rosario headquarters; and (d) the Secretary of the Yugoslav Legation in Buenos Aires (whom the Chilean Government has just deported along with the Yugoslav Charge in Santiago) brought to Chile orders calling for the sabotage of coal, nitrate, and copper production through slowdowns and strikes by the Chilean Communists.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

Further British import cuts, beginning with food and tobacco and extending to raw materials, are being considered by the UK Government if US aid under the European recovery program is not assured before June 1948.

GREECE

Many farmers in northern Greece who fled from the guerrillas to safety of larger towns are (with the approach of the fall planting season) returning to their villages to avoid semi-starvation. Because the price they must pay for safety will be cooperation with the guerrillas, guerrilla control in many areas may be strengthened.

CHINA

No significant new development.

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GENERAL

1. "Cominterns" predicted for Latin America and Far East--US Embassy Paris has learned from a "well informed" source that the Kremlin is making plans for a meeting (similar to that recently held in Warsaw) which will "assemble the US and Latin American Communist parties in the aim of uniting them against Yankee imperialism." Source adds that a similar meeting is planned for Asiatic Communists, which will be attended by representatives from China and Japan.

(CIA Comment: Although no reports have been received confirming the above information, the announcement of additional regional Communist blocs appears a logical step in the increasingly militant program of international Communism.)

2. Congresswoman urges revision of UNSCOP report--Congresswoman Bolton, leader of the Congressional Committee touring the Near East, expresses her view that the UK decision to leave Palestine (failing an agreed Arab-Jewish solution) destroys the basis of the UNSCOP recommendations inasmuch as both the majority and minority reports assumed the continuation of British administration during the transitional period. Mrs. Bolton believes that the recommendations are no longer either relevant or valid to the solution of the problem as it now exists and should therefore be returned to UNSCOP for revision.

FAR EAST

3. FRENCH INDOCHINA: French begin fall military operations--US Consul Hanoi reports that the fall military operations planned by the French began in north Indochina on 7 October. He adds that unconfirmed rumors indicate that major objectives are the opening of the Hanoi-Langson road and the occupation of Caobang on the China-Vietnam border.

US Consul Saigon reports the prediction of a French military leader that a campaign will be begun in the south, following the successful completion of the offensive in the north.

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4. KOREA: Soviet scheme to forestall UN action on Korean problems--
US Political Adviser Jacobs in Seoul reports an apparently Soviet-inspired plan for: (a) a conference of eleven prominent Korean leaders from both zones to work out a program for the unification of Korea; and (b) the submission of this program to the Joint Commission and, subsequently, to the four trusteeship nations for approval. Jacobs suggests that the Soviet intention is to forestall UN action on the Korean problem and to induce the UN to accept the Soviet suggestion of withdrawal of occupation forces by the end of 1947 (see Weekly Summary of 3 October, page 9).

Jacobs adds that although the proposed conference would include seven members from South Korea and four from North Korea, following closely the population ratio between the two areas, its political coloring would be predominantly leftist.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

INDONESIA

No significant critical developments are expected in the Indonesian situation during the deliberations of the Three Power Commission for Good Offices.

CHINA

The precarious position in which the Nationalist armies have been placed by the current Chinese Communist offensive is further emphasized by reports of a shake-up in the Nationalist command in Manchuria and of a "last-ditch" plan of defense (see item 3).

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EUROPE

1. **CZECHOSLOVAKIA:** Recent internal political tension eases--US Ambassador Steinhardt reports that several non-Communist leaders are "less disposed" to believe that the Communists' demand for a purge of the Slovak Democratic Party indicates their determination to take over the Government (see Daily Summary of 2 October, item 4). Steinhardt suggests that the non-Communist Parties may agree to a moderate purge of the Slovak Democrats and that this may lead to a more or less satisfactory compromise within the National Front, unless instructions from Moscow precipitate an open conflict.

NEAR EAST-AFRICA

2. **IRAN:** Qavam may introduce new oil resolution--The president of the Majlis has informed US Ambassador Allen that Prime Minister Qavam is preparing to ask the Majlis at a secret session to pass a resolution which would: (a) instruct the Government to employ experts to explore the oil regions of northern Iran; and (b) authorize the Government subsequently to negotiate with the USSR for the formation of a Soviet-Iranian corporation to develop oil resources in a limited area. The president added that most deputies were opposed to this solution of the oil question and preferred to refuse the Soviet proposals outright at the present time.

FAR EAST

3. **CHINA:** Nationalist defense plans in Manchuria--US Consul General Mukden has been told by a well-informed Chinese source that Chiang Kai-shek has instructed Nationalist forces in Manchuria to hold "at all costs" Kirin and the Hsiaofeng Dam, Fushun, Anshan, and Mukden. Source also informed the Consul General that the Nationalist Commander in Manchuria, Chen Cheng, has felt it necessary to recall

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the former chief of staff of the Northeast China Command (who had earlier been "purged" by Chen) and to give him supreme military and civil authority.

(CIA Comment: The four points to be held at all costs have installations important for the eventual economic recovery of Manchuria. Mukden, Fushun, and Anshan are the main centers of the south Manchuria industrial complex; the Kirin area is an important source of hydro-electric power for Manchurian industry.)

THE AMERICAS

4. CHILE: Test of strength with the Communists--According to US Ambassador Bowers, energetic measures already taken by the Chilean Government may frustrate Communist efforts to paralyze Chile. Bowers again urges, however, that in order to "cut the ground from under the Communists in the first test of strength since the reestablishment of the Comintern," the US offer the coal needed by President Gonzalez for an all-out military campaign.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

INDONESIA

The current shift of Royal Netherlands Indies Army troops from the Central Java sector of Semarang indicates the probable abandonment of a Dutch offensive to occupy the Indonesian Republican capital of Jogjakarta.

CHINA

Financial deterioration in China is rapidly developing into runaway inflation which may soon lead to a virtual collapse of the national currency. High National Government officials are showing signs of increasing panic, probably because of their fears that a currency collapse would cause an acute political crisis and seriously disrupt Nationalist military activities.

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GENERAL

1. Aranha alarmed at US use of UN--US Delegation at the UN reports that General Assembly President Aranha, in indicating his disturbance at the US attitude toward the Ukraine's Security Council candidacy, predicted that the UN would die as the League of Nations did, unless the US ceased to use the UN as an instrument of its policy.

USSR opposes UNSCOP majority report--The US Delegation also reports that Sandstrom, Chairman of UNSCOP, has learned that the Soviet Delegation opposes the majority UNSCOP report and favors a single independent state of Palestine.

(CIA Comment: The alignment of the Soviet bloc with the Arab States would bring about the rejection of the UNSCOP majority plan in the General Assembly.)

2. UK intends to withdraw from Japan--US Embassy London reports that the UK Government has decided to withdraw its occupation forces from Japan within the next four months, unless General MacArthur objects. According to the Foreign Office, the UK regrets the necessity for the withdrawal but feels that the action will not substantially affect the occupation program. The Foreign Office further states that New Zealand may either reduce or wholly withdraw its forces within the next few months but that Australia will presumably retain its forces in Japan. (UK occupation forces in Japan total some 4,000 in ground and air forces; New Zealand, less than 3,000; Australia, about 10,000.)

3. UK stiffens air policy toward Soviet Satellites--US Embassy London reports that the UK, for economic and "other reasons," is curtailing or eliminating air services to the Satellite countries and that the UK "will not attempt any more negotiations with them."

(CIA Comment: This stiffening of UK air policy probably indicates the realization that air agreements with Satellite nations would indirectly give the USSR access to the West without gaining entry into the USSR for the UK.)

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THE AMERICAS

4. **CHILE: President Gonzalez urges showdown with Communists--**
US Ambassador Bowers reports that: (a) President Gonzalez is interpreting the strike that began in Chile's key coal mines on 4 October as a test, directed by Communist headquarters in Belgrade, of Communist strength; (b) Gonzalez' decision to use the armed forces for a full-scale attack against the Communists will depend upon US assurances of a minimum supply of 300,000 tons of coal to aid in sustaining Chilean economy during a possibly protracted campaign. Bowers expresses his personal opinion that "it is just as vital for the US to cooperate in Chile in preventing Communist domination" as it is in Greece.

(CIA Comment: A Communist-initiated showdown with a Latin American government would be in sharp contrast to the line followed by Latin American Communist parties in recent months and may indicate either the establishment of a new line or a test of Western Hemisphere reaction to a Communist threat.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

The critical fuel and transport situation in the US-UK Zone Germany has been partially relieved through the discovery of larger stocks of Ruhr steel than previously estimated and through a reported increase in Ruhr steel production. These stocks will permit the export of Ruhr steel to the Netherlands in exchange for ore and fuel.

GREECE

No significant new development.

INDONESIA

No significant new development.

CHINA

The general Chinese Communist offensive now developing in Manchuria has placed the Nationalist armies in a critical position. In these operations, as well as those coordinated with them in North China, the Communists are demonstrating again that they possess the strategic initiative in the civil war.

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GENERAL

1. UK Commissioner emphasizes necessity for Jewish compromise--
The UK High Commissioner of Palestine has expressed the opinion to US Consulate General Jerusalem that if the Jews would compromise on certain terms of the UNSCOP reports, the Arabs "might be willing to go along." He believes it is impossible for the Arabs to come to terms with the Jews unless some face-saving device is found. The Commissioner implied that British withdrawal from Palestine, and even the Middle East, was "a question of a short time."

EUROPE

2. ITALY: USSR suggests Italy open trade talks in Moscow--US
Ambassador Dunn reports that the Soviet Ambassador at Rome has suggested to Foreign Minister Sforza that Italy send a trade mission to Moscow soon and that Sforza agreed to open trade talks as suggested. Dunn expresses his opinion that the question of wheat may head the agenda of these talks and warns that the US may be faced with the necessity for deciding whether to send ships to the Black Sea (to carry Soviet wheat to Italy) as was done in the case of France in the spring of 1946.

NEAR EAST-AFRICA

3. INDIA: Large-scale communal warfare feared imminent--US
Ambassador Grady has transmitted from the Government of India a formal request that the US make available ten Army transport planes to evacuate to India some 50,000 refugees now in the North West Frontier Province. Grady supports this request and states that the refugees are starving and in immediate peril of Moslem attack. He believes that if the refugees perish from hunger and/or attack, the present Government of India may fall and communal warfare will attain proportions beyond any yet seen.

(CIA Comment: Massacre of these refugees might well cause an outburst of communal pillage in Delhi, the United Provinces, and Bengal, resulting in war between India and Pakistan-- or at least in protracted civil war throughout the Dominion of India.)

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4. **IRAN: Soviet coup considered possible** --US Ambassador Allen reports that "there are indications that the Soviets may now be centering their efforts on bringing about a coup d'etat in Iran" for the purpose of installing a government favorable to the Soviet Union. Allen was informed by an influential tribal chief that the first move in a coup d'etat would be the assassination of the Shah, followed by the reinstatement of the former Kajar dynasty or by the establishment of a republic. Allen adds that he has discussed the matter with the Shah, who does not appear greatly disturbed. He also has emphasized to the US Military Attache and the Chiefs of the US Military Missions the necessity for vigilance "to prevent the Soviets from running off with the prize at the last moment."

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GENERAL

1. US intends to delay Hungarian air negotiations--The Department of State (pending reconsideration of US air policy vis-a-vis the USSR and Satellite countries) has instructed US Legation Budapest to reply to the latest Hungarian proposals for an air agreement, but to modify former US expressions of interest in concluding a permanent accord by now indicating merely a willingness to "discuss" this possibility.

Italy urged to defer air negotiations with Satellites--The Department also has instructed US Embassy Rome to explain informally and candidly to the Italians that the US does not wish to see the USSR and Satellite countries obtain outlets to Western Europe, Africa and the Middle East on a "one-way street" basis and to urge Italian cooperation in deferring aviation negotiations with these "non-ICAO (International Civil Aviation Organization) states."

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

TRIESTE

No significant new development.

GREECE

No significant new development.

INDONESIA

The Dutch press has criticized Consul General Foote's request for a delayed UN Consular Commission report on the effectiveness of the Security Council's cease-fire order (see item 4).

CHINA

Despite strong Kuomintang pressure for a pro-Soviet foreign policy, Chiang Kai-shek has given assurance that his own policy is firmly based on close and friendly relations with the US (see item 3).



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GENERAL

1. US willing to compromise in Mexican air negotiations--The Department of State has advised Embassy Mexico City that the US Civil Aeronautics Board is willing to compromise on air routes, in order to obtain an agreement in the nearly deadlocked US-Mexican bilateral air negotiations. The Department adds that the US is now willing to give up its demands for a second US route between Los Angeles and Mexico City.

(CIA Comment: The conclusion of this agreement will result in expanded air service between the US and Mexico by carriers of both countries and will improve the chances that a multilateral air agreement on terms satisfactory to the US will result from the International Civil Aviation Organization conference at Geneva in November.)

NEAR EAST-AFRICA

2. IRAN: Soviet troop concentrations reported on border--Iranian Chief of Staff Razmara has informed US Military Attache Tehran that the USSR recently moved several infantry regiments, 200 medium tanks, and more than 10 artillery battalions to points near the Iranian frontier west of the Caspian. Razmara stated that orders have been issued to Iranian commanders to open fire, if Soviet troops enter Iranian territory.

US Ambassador Allen reports Prime Minister Qavam's opinion that the USSR will not attack Iran so long as the oil proposal is not definitely rejected but will immediately send irregular bands into Iran to create disturbances, and will send troops as soon as the disturbances are sufficiently serious to provide a pretext for intervention.

(CIA Comment: CIA believes that: (a) the USSR is not planning an invasion of Iran at this time; (b) Soviet troop concentrations are designed to intimidate Iran, as a whole, and to give encouragement to pro-Soviet elements of the population; and (c) the USSR will inspire disorders in Iran when the Soviet oil proposal is rejected.)

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FAR EAST

3. **CHINA: Chiang gives assurances of pro-US attitude--US Ambassador Stuart reports that in a discussion of China's attitude toward the Japanese Peace Treaty and of China's possible reorientation toward the USSR, Chiang Kai-shek gave emphatic assurances that his own policy was firmly based on close relations with the US and that the friendship between his country and the US was "too long-standing to be affected by any seeming conflicts of interest." Stuart notes that Chiang voiced these assurances despite the strong pressure which some Kuomintang groups are reportedly exerting upon him to shift to a pro-Soviet course.**

(CIA Comment: CIA believes that the Chinese National Government will not align itself with the USSR unless it loses all hope of obtaining US aid and resigns itself, as a result of further political and economic deterioration, to a compromise settlement with the Chinese Communists as the only means of avoiding virtual political extermination.)

4. **INDONESIA: Dutch criticize delayed UN Consular Commission report--US Embassy The Hague reports that the Dutch press is reacting unfavorably to US Consul General Foote's request for a two-weeks' delay in submission of the Consular Committee's report to the Security Council in order to permit newly-arrived US military observers to investigate the Indonesian situation. Foote's request is being interpreted as a US refusal to accept the evidence of other Allied officers on the Commission. The Dutch press further states that such delay has nullified the urgency with which other nations have inquired into the situation.**

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

French high officials anticipate the collapse of the Ramadier Government following the forthcoming municipal elections unless clear indications of interim US aid are received (see item 1).

TRIESTE

No significant new development.

GREECE

No significant new development.

INDONESIA

Because of the delayed arrival of US military observers in Batavia, Consul General Foote has requested that the US Consular Commission's final report be delayed for approximately two weeks beyond 7 October. Military observers of the five other powers on the Commission have completed their studies.

CHINA

The new Communist offensive in south Manchuria has disrupted the main Nationalist supply line between China proper and Mukden (see item 5).



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GENERAL

1. Ramadier collapse foreseen barring US aid--US Ambassador Caffery quotes high French officials as stating that the Ramadier Government will probably collapse shortly after the municipal elections, unless clearer indication is received that interim US aid will be forthcoming. The informants added that there is little possibility of excluding the Communists from the next government.

2. De Valera favors prompt aid for France--US Legation Dublin reports Eire Prime Minister De Valera's opinion that prompt action for intermediate aid to France is the most important item in connection with the European recovery program.

3. Recruiting for international brigade reported--US Embassy Paris transmits information from a trustworthy American source as the "first concrete evidence" the Embassy has received of recruiting for an international brigade to fight in Greece. Source reports that in Paris he was recently urged to enlist by a group of seven young men of "tough appearance" whom he "judged to be Americans by their accent" and who said that they had enlisted in Brussels and were on their way to Albania and Yugoslavia.

EUROPE

4. CZECHOSLOVAKIA: Communist control expected--US Ambassador Steinhardt states that within a period of months the Czechoslovak Government will probably become "a subservient tool of the Kremlin in internal as well as external affairs." Steinhardt reports that several National Socialist and Slovak Democratic leaders are already weakening in their anti-Communist stand as it becomes "quite clear that the Communists have decided to make use of the secret police" to bring Czechoslovakia into line as rapidly as possible. The Ambassador is uncertain whether the non-Communist party leaders will have sufficient courage to resist the current trend and defeat, or delay, the Communist program.

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FAR EAST

5. CHINA: Major Communist offensive in Manchuria--US Consul General Mukden reports that the Communist attack has seriously damaged the Peiping-Mukden railroad near Chihsi and that the attack is developing into a major offensive. Continued Communist successes, the Consul General states, may effectively deny to the Nationalists the use of Yingkou, Hulutao, and Chinwangtao, the only three ports now available to the Nationalist armies in Manchuria for water-borne reinforcement and supplies from China proper.

6. FIC: Apparent French policy on Bao Dai--US Consul O'Sullivan in Hanoi reports that the recent decline in French-inspired demonstrations in favor of the return of former Annamite Emperor Bao Dai appears to indicate that the French have failed to reach an understanding with Bao Dai over the conditions for his return. O'Sullivan believes that the French are considering other ways of forming a government for French-occupied areas, but are apparently postponing a decision until after forthcoming military operations.

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

TRIESTE

The failure of the UN Security Council to agree upon a governor for the Free Territory of Trieste is further complicating the problems of the US-UK Commanding General who must make policy decisions on an interim basis.

GREECE

A shake-up in the Greek General Staff appears imminent. Meanwhile, the US is urging that the Greek Government invite a competent neutral nation to observe application of the amnesty offered to the guerrillas. While the amnesty is not likely to result in the surrender of many guerrillas, appointment of a neutral observer would indicate that the Greek Government had at least made the proposal in good faith.

INDONESIA

No significant new development.

CHINA

No significant new development.



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GENERAL

1. US declines its share of Italian fleet--The Department of State has advised Ambassador Dunn at Rome to inform the Italian Government that the US will decline to accept any of the Italian naval vessels allotted to the US under the terms of the Italian Peace Treaty.
2. Austrian Cabinet approves interim US air agreement--US Minister Erhardt in Vienna reports that the Austrian Cabinet has approved the US-Austrian interim air transport agreement in spite of a "gesture of obstruction" by the Communist member of the Cabinet.

(CIA Comment: Pending the conclusion of this agreement, Austria had delayed action on a Soviet proposal for an Austrian-Soviet air agreement. It appears probable that Austria can now use the US agreement as a precedent in resisting the inevitable Soviet attempt to secure one-sided air rights in Austria.)

EUROPE

3. USSR: Embassy views on Soviet propaganda attacks on US--US Embassy Moscow considers that the current series of violent Soviet propaganda attacks on the US are designed to create a war scare in order to: (a) frighten the small nations into abstaining from voting on critical issues in the GA; (b) sabotage economic recovery by dissuading needy states from accepting "imperialistic aid" from the US; (c) persuade Congress that, because of the extent of European tension and unrest, the US aid program is futile; and (d) bolster internal Soviet control and discipline by increasing the apprehension of the Soviet people. The Embassy believes that if the current campaign fails in its purposes, the USSR may withdraw from the UN or foster a deadlock in order to give the Kremlin time to make a decision on new tactics. The Embassy expresses the conviction that the Soviet Union is not prepared for and does not want "an active war within the presently foreseeable future"; and that the USSR is confident of the US desire for peace and feels that the Kremlin can safely create a "war scare" to serve Soviet political ends.

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1. CZECHOSLOVAKIA: Steinhardt believes Communists able to seize power--
US Ambassador Steinhardt comments that "it seems fairly clear that the Communists are in a position to seize power in Czechoslovakia, by their customary tactics of trumping up charges against the opposition, at almost any time they decide to take such action and that the course they pursue will be dictated by instructions from Moscow."

NEAR EAST-AFRICA

2. TURKEY: US financial aid sought to avert budgetary crisis--Foreign Minister Sadak has informed US Charge Bursley that, although the Turkish Government has decided to demobilize one of the military classes now under arms, the continued heavy cost of maintaining the national defense structure will bring about a severe budgetary crisis during 1948. Sadak asked Bursley to inquire urgently as to the possibility of obtaining additional US financial aid amounting to not more than \$100 million.

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