

18 JUL 1948

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GENERAL

1. UK believes Arabs wish to have truce forced on them--The British delegation to the UN, in discussing the formulation of a Security Council resolution ordering the Palestine belligerents to cease hostilities, has informed the US delegation of its belief that the Arabs are willing and even anxious to be forced to accept a truce. Concerning an ultimate solution for the Palestine problem, the UK delegation considers it important to establish a guarantee which will give the Arabs some assurance that the Jews will not "crowd over into Arab territory."

## EUROPE

2. UNITED KINGDOM: Increasing tension in military circles-- The US Military Attache in London reports that, although military circles feel increasingly that the UK must take "some appropriate action" concerning the production of military equipment, UK Government officials consider that the diversion at this time of any appreciable amount of industrial effort would wreck the British export drive. According to the MA, tension in military circles over the Berlin crisis is growing, and most military personnel feel that the western powers cannot win the present issue by air lift alone.

(CIA Comment: Despite this present concern, the British estimate that an early war with the USSR is unlikely apparently remains unchanged. In recent months, however, the British services have taken several steps to improve their short-term readiness.)

3. RUMANIA: Soviet annexation held unlikely--US Minister Schoenfeld believes that the Kremlin does not contemplate the incorporation of Rumania into the USSR at present. Schoenfeld estimates that the economic and military arrangements between the two states envisage an eventual merger rather than

DIA &amp; DOS review(s) completed.

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"coordination." He considers, however, that by openly removing at this time all pretense of Soviet respect for the independence and sovereignty of its Satellites, the Kremlin would: (a) reduce Soviet diplomatic maneuverability; (b) make a farce of Soviet propaganda; and (c) add nothing to the economic advantages of the USSR. Schoenfeld thinks that the Kremlin would resort to annexation only after it had decided to "burn all bridges to the west."

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