

6 JUL 1946

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GENERAL

1. Direct Soviet action now against Tito believed unlikely--US Ambassador Smith in Moscow expresses the view that the Soviet-Yugoslav breach is authentic and will grow wider rather than narrower. Smith considers it unlikely that the USSR will at this time take "overt direct action" against Tito, disavow the Cominform action, or make a face-saving offer. US Embassy Belgrade believes that a compromise can now be reached only through the personal intervention of Stalin.
2. Berlin issue reportedly cannot be settled separately--US Ambassador Murphy reports that the western governors are agreed that Marshal Sokolovsky is under instructions which permit him no latitude in negotiating the transport question unless there is a complete discussion of the German question. The western governors believe that the USSR intends now to settle the Berlin problem only as a part of the settlement of the entire German problem, and that further action in Berlin by the three western military governors would serve no useful purpose.
3. USSR attacks Iran's alignment with US--US Ambassador Wiley reports that on 2 July Prime Minister Hajir discussed with Soviet Ambassador Sadtchikov outstanding differences between Iran and the USSR. During the discussion Sadtchikov declared that these differences could be settled satisfactorily if Iran would change its "inadmissible policy of political and military unity with the US." Hajir replied that Iran was an independent and sovereign nation and felt itself free to turn wherever it wished. He also said that the Iranian Government would never dedicate itself to Communist revolution and that, if war should break out, Iran would be on the side of the US and the UK. Sadtchikov then raised the question of Iran's rejection of the Soviet oil concession in October 1947, saying that Soviet prestige had been gravely damaged thereby and that the situation must be remedied. Hajir has requested

DIA & DOS review(s) completed.

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Wiley's advice as to whether Iran should: (a) follow a "fixed, clear, and definite" policy vis-a-vis the USSR; or (b) leave the door "half open" for further talks with a view to standing for time. The Department of State has informed Wiley of its belief that leaving the door half open to the USSR would be dangerous and that Iran should follow a "fixed, clear, and definite" policy of standing up for its independence and of conducting its foreign relations on the basis of sovereign equality with other states, free from coercion.

4. US opposed to denunciation of Iranian-Soviet treaty--The Department of State has informed Ambassador Wiley that it disagrees with the Shah's recent suggestion that Iran should denounce the 1921 Soviet-Iranian Treaty of Friendship. The Department feels that: (a) the treaty contains certain provisions advantageous to Iran; (b) the treaty does not permit the USSR unilaterally to move its forces into Iran; (c) the USSR might, with some justification, interpret denunciation of the treaty as an unfriendly act; and (d) a public airing at this time of Iranian-Soviet differences might provoke, rather than deter further Soviet interference in Iran.

NEAR EAST-AFRICA

5. PALESTINE: Prospects for Arab acceptance of truce extension--The US Military Attache in Beirut expresses the opinion that the attitude of King Abdullah of Transjordan will ultimately determine whether the Arabs will resume fighting in Palestine, although the expressed position of all of the Arab states is that they will renew hostilities unless Israel accepts their demands. The MI bases this opinion on the belief that the Arabs would be "practically impotent" without the Transjordan Arab Legion.

(CIA Comment: Although great pressure is being placed on Abdullah by the UK to accept an extension of the truce, it is unlikely that the Arabs will agree to such an extension because (a) public pressure for a resumption of the war exists in all the

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Arab states; (b) the Arabs are convinced the truce is working in favor of the Jews; and (c) violations of the truce during the past few days have increased substantially. CIA considers it unlikely that the Arabs will agree to an extension of the truce except in the improbable event that Bernadotte accepts the Arab "counter-proposals" -- a unified Arab Palestine -- as a basis for further negotiations with the Jews.)

THE AMERICAS

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6. PANAMA: Flight of Arnulfo Arias -- [redacted] the police, subsequent to Arias' flight to the Canal Zone, "have the situation well in hand" and the position of the government candidate (Diaz) is "very strong."

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(CIA Comment: If successful, the Panamanian Government's efforts to deny the Presidency to Arnulfo Arias, who received a plurality of the votes in the 9 May elections, would be a favorable development for US security interests in the Caribbean-Central American area.)

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