

5 MAR 1948

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**GENERAL**

DOS, DIA reviews completed

1. US recommends stronger position on Austrian treaty--The Department of State has notified the US delegation to the current London Conference that, in view of the Communist coup in Czechoslovakia, the US favors a greatly hardened position in future negotiations with the USSR on the Austrian treaty. The Department states that all factors must be weighed from the standpoint of safeguarding Austrian political and economic independence.

2. UK favors broader western European treaty--US Embassy London has been informed by the UK Foreign Office that the British draft treaty for use at the five-power Brussels meeting begun on 4 March is not directed solely against Germany but "more nearly approaches" the Rio Treaty. According to the Embassy, the Foreign Office is quite hopeful about the outcome of the meeting, despite a current Anglo-Belgian impasse on economic questions.

(CIA Comment: Developments in Czechoslovakia and Finland are mainly responsible for impelling the UK to favor a Rio-type pact, which is directed against all aggressors, and to speed up the five-power negotiations. Previously, the UK had objected that to negotiate a Rio-type pact now was to "move too fast.")

3. Proposed foreign measures to aid De Gasperi--Foreign Minister Bidault has reiterated to US Embassy Paris his grave concern over the Italian political situation, and its possible serious consequences in France, and has stressed the urgent need for the US, the UK, and France to issue a joint statement on the Italian colonies.

US Ambassador Dunn in Rome reports his belief that it would now be advisable for the US and the UK to make a statement concerning the possible return to Italy of the US-UK Zone in Trieste as recently proposed by Italian Foreign Minister Sforza and by the French Foreign Office.

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### EUROPE

4. **FRANCE:** Gaullists may oppose Government in confidence vote... US Ambassador Caffery reports that as the result of Gaullist resentment against the Government's decision to withhold an honor guard of French troops from a war memorial service scheduled for 7 March, at which De Gaulle is to speak, the entire Gaullist inter-group may vote against the Government in the 8 March vote of confidence on the exceptional tax levy.

(CIA Comment: If all Gaullist deputies vote against the Schuman Government, CIA believes that Schuman's slim margin may disappear and that the Government could very well lose the vote of confidence.)

5. **CZECHOSLOVAKIA:** Benes likely to remain in country-- President Benes' Chancellor has told US Ambassador Steinhardt that although Benes is undecided whether to resign or not, he is disposed to remain in Czechoslovakia. According to the Chancellor, Benes believes that he would be of little assistance to the Czechoslovak people from exile, but that his presence in Czechoslovakia will tend to encourage resistance to the Communists.
6. **FINLAND:** Views on western support of Finland--US Ambassador Matthews in Stockholm expresses his skepticism that the chances of success in supporting Finland against Soviet pressure are worth the consequences of failure. Matthews believes that, considering the personal prestige involved in Stalin's letter and the presumed inability or unwillingness of the west to render military aid, there is little likelihood of adequate Finnish resistance. Matthews adds that the failure of a determined and well-publicized effort to save Finland would seriously shake Swedish confidence in the western powers.

Soviet demands for territory--The US Military Attache in Oslo reports [redacted] that terms of the USSR for a Soviet-Finnish pact are: (a) Soviet

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control of North Finland, the Aaland Islands, and the port of Aabo, in return for parts of Karelia and concessions at Porkkala; and (b) the attachment of Soviet officers to Finnish Army units.

(CIA Comment: CIA Considers that this report is probably based on speculation. If the initial demands of the USSR are as reported, however, it is likely that the USSR will modify them in course of negotiations.)

**NEAR EAST--AFRICA**

7. **PALESTINE: Arab suggestions for obtaining peace--US Minister Childs in Jidda reports a recent conversation with Azzam Pasha, Secretary General of the Arab League, on possible steps to insure peace in Palestine pending a settlement of the issue. Azzam Pasha declared that: (a) if the Jews would also agree, the Arabs would submit to total disarmament, including the elimination of both Arab and Jewish terrorists; and (b) Jewish immigration, in his opinion, should be suspended for at least one year until the situation in Palestine has eased.**

(CIA Comment: While Azzam Pasha's statements reflect the moderate attitude of responsible Arab leaders, it is doubtful whether all the Arabs in Palestine could be effectively disarmed.)

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