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EUROPE

1. **GERMANY: Socialists' attitude toward German rearmament--** US High Commissioner McCloy in Bonn has been assured by Carlo Schmid, a leader of the West German Social Democratic Party, that the Socialists would accept a Bundestag decision in favor of German military contributions to European defense, regardless of how small a majority such a decision obtained. According to Schmid, the Social Democratic Party would then cooperate loyally to make the contributions as effective as possible. Schmid added that the Social Democratic Party has for many months been in contact with three outstanding former German generals for the purpose of getting expert technical advice on the feasibility of the Socialist program for Western defense.

(CIA Comment: Schmid's statements probably reflect the wishes of moderate Socialists, but the Social Democratic Party as a whole will continue to support firmly Socialist Chairman Kurt Schumacher's policy of opposing West German rearmament until: (a) the Western allies have made large increases in their troop strength in Germany; (b) substantial concessions toward German sovereignty and international equality have been granted; and (c) rearmament is specifically authorized by amendment of the basic German law, a process requiring a two-thirds majority in the Bundestag.)

2. **FRANCE: Implications of Thorez trip to Moscow--**US Ambassador Bruce in Paris expresses the opinion that the departure of French Communist Party leader Maurice Thorez for Moscow will not bring about a sharp change in French Communist Party policies in the near future. Bruce does feel, however, that

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STATE review(s) completed.

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Moscow intends to take advantage of the absence of Thorez to carry out a thorough house-cleaning in the French Party, which has been passing through an extremely difficult period.

FAR EAST

3. INDOCHINA: Bao Dai's plans for aggressive leadership-- US Minister Heath in Saigon reports that, during the course of extensive talks with Bao Dai, the Vietnamese leader gave his assurances that he would take into his own hands the formation of a national army and the development of good government. Bao Dai pointed out that French agreement "in principle" to the creation of a Vietnamese army gave him a basis for demanding general support for his regime; he said that he could now attempt to "bring in" fence-sitters and even detach non-Communist nationalist elements from the Viet Minh. Bao Dai added that he had received credible assurances of French support for the national army in terms of officers and funds but that the French had not agreed to his demand that French officers be under his direct command.



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