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29 October 1951

CIA No. 49411

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

ARMY review(s) completed.

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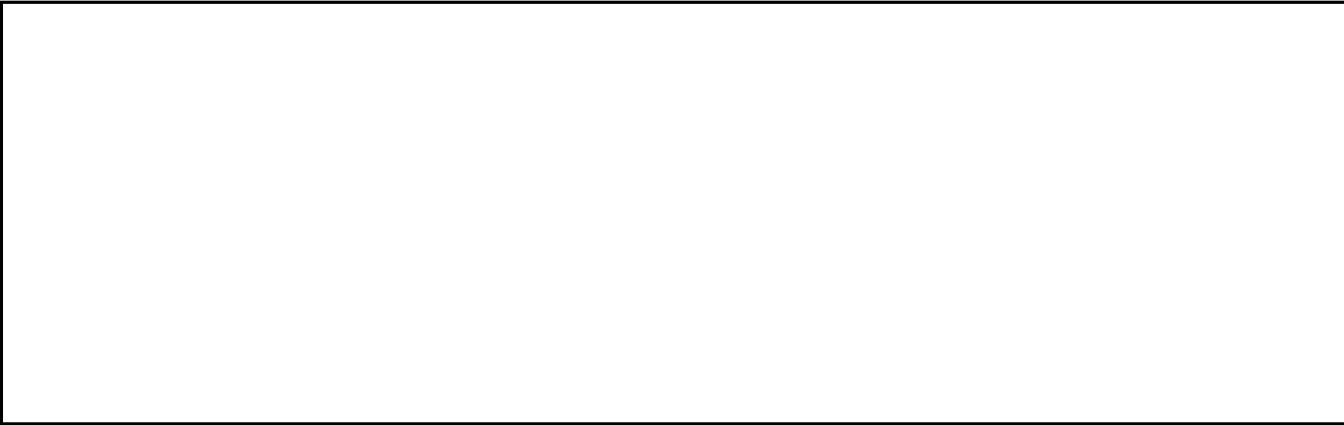


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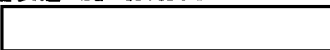
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SECTION 1 (SOVIET)




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2. New college for training irrigation specialists in Turkmen SSR: The head of the educational branch of the Chardzhov Technical College recently predicted that there will be an increased demand for specialists after the main Turkmen Canal is built and the area of irrigated lands is trebled. To meet this need, a new technical faculty has been opened at Chardzhov, a further two year section added to the Ashkhabad Irrigation College, and new technical branches are being organized in the Tashauz Agricultural College. 

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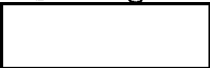
Comment: Soviet propagandists claim that the main Turkmen Canal, to be opened in 1957, will involve the irrigation and watering of over eight million hectares of land.

3. INTERNATIONAL COMMUNISM: World Peace Council meeting in Vienna will include mass demonstration: The World Peace Council meeting opening in Vienna on 1 November will include a "peace march" on 3 November. Plans filed with the Vienna police specify 22 assembly points throughout the city. Reviewing stand speakers will include Professor Joliot-Curie, Pietro Nenni, Ilya Ehrenburg and the Dean of Canterbury.

High Commissioner Donnelly foresees the possibility of a successful mass demonstration, especially since the Austrian Communist party will hold its convention during the Council meeting. He is therefore reconsidering the question of devising popular distractions. 

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Comment: The Western powers and the Austrian Government had originally planned virtually to ignore the Council meeting, on the assumption that it would be a relatively small session devoted mostly to planning Communist propaganda strategy, particularly in connection with the coming

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UN General Assembly meeting. It is likely that the Communists deliberately delayed announcement of their plans in order to handicap Western counter-plans.

In the past, Communist mass demonstrations in Vienna have not aroused much popular enthusiasm.

4. ALBANIA. Government announces capture of American and British spies:
The Belgrade press on 25 October reported that the Albanian Government had announced the shooting of "thirteen American spies from Munich" as they attempted to parachute into Albania. The Albanian press on the same date said that the state security forces, helped by the people, recently eliminated "nine British spies" who parachuted into Albania with weapons, signaling equipment and various documents. [redacted]

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Comment: The Albanian Government apparently is trying to keep alive the accusations leveled at the Western powers in the recent spy trial. A previous report stated that villagers inhabiting the Albanian-Greek border area were being forcibly enlisted to aid in the capture of agents.

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7. POLAND. Polish Minister expresses absolute support for Egypt: The Polish Minister in Cairo personally has expressed to the Secretary-General of the Arab League his absolute support for Egypt's position against the British. He further pointed out that his country was prepared to enter into talks with the Egyptian Government should the latter desire to broaden the scope of the already existing Polish-Egyptian trade agreement. When asked whether Poland would be willing to provide Egypt with arms, the Minister gave an evasive answer, saying that he knew nothing about that subject.

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[redacted]

Comment: The existing trade agreement between Poland and Egypt, which already had expanded trade between the two countries over previous years, expires in December. Poland received cotton, phosphorites, wool scrap, and rugs, while Egypt obtained agricultural and consumer goods, chemicals, metal products, timber, and mineral products. Poland, as well as other Satellites, have greater need for Egyptian goods because of Western embargoes, and wish to lend support to any moves contrary to Western interests. The Soviet Union, Rumania, and Hungary are now sending delegations to Egypt to open negotiations for 1952 trade.

The USSR and Hungary had trade agreements with Egypt for 1951, but Rumania did not. Last July Egypt signed barter agreements with the USSR, Rumania, and Hungary in which Egyptian rice and cotton were exchanged for wheat.

8. Shortcomings reported in Poland's Six Year Plan: The State Commission for Economic Planning, announcing the results of the National Economic Plan for the third quarter of 1951, revealed that production in certain key industries, though increased, fell below planned goals. These industries included raw steel, iron and copper ores, zinc, soft lead, machine tools, ball bearings, locomotives, freight cars, trucks, soda, lime, cyanamide, cotton, wool, and cement. The most significant admission was that the Ministry of Mining did not carry out in full the production plan for pit coal and oil.

[redacted]

Comment: While this report is not sensational when compared to the reports for the first and second quarters of 1951, it is noteworthy that throughout 1951, the production of oil, machine tools, locomotives, and rolling stock has consistently failed to meet plan goals. This is the first quarter, however, in which planned coal production has not been attained. The Polish Government has been making extensive efforts to increase coal mining through labor recruitment and further special bonuses.

9. East German shipment relieves Polish potato shortage: The Polish press has announced the arrival from East Germany of 100,000 tons of

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potatoes. The shipment was hailed as a symbol of the growing friendship and ever closer cooperation between the two nations. [redacted]

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Comment: An early October report stated that the Polish Government had decreed the enforced delivery of potatoes by the peasants. The US Embassy commented at that time that the decree represented a government effort to ensure a potato supply during the winter despite a small crop. Numerous reports from Poland during the summer noted a general shortage of foodstuffs.

10. YUGOSLAVIA. US Embassy analyzes postponement of economic reforms: From Finance Minister Popovic's statement of 21 October postponing the introduction of the new economic system and announcing the institution of several deflationary devices, US Embassy Belgrade draws the following conclusions:

(1) This retreat is dictated by a fear of inflation which would follow the introduction of a free market.

(2) The immediate objectives of this tactical shift are greater voluntary food deliveries by the peasants, lower urban purchasing power, and stabilization of prices and money circulation.

(3) It is not yet possible to judge whether the deflationary measures are intended to prepare the ground for devaluation or are a substitute for devaluation.

(4) The Popovic plan will favor the peasants and hit urban workers hard,

(5) The choice of Popovic as the promulgator of the policy of retrenchment, instead of Chairman of the Economic Council Kidric, is a further indication of their changing roles in the party. [redacted]

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Comment: It is significant that during last spring's US-British-French discussions concerning economic aid to Yugoslavia, the Yugoslavs insisted that the peasants, not the workers, should bear the brunt of policies necessitated by the investment program and increased defense expenditure. But now, economic leaders openly proclaim the necessity for lower worker living standards, at least temporarily. This shift highlights Yugoslav dependence upon rural productivity and indicates a more realistic approach to the solution of critical problems posed by suppressed inflation.

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3. IRAN. Terms of projected Iranian-Soviet barter agreement revealed: The acting Governor of the Iranian Bank Melli has informed the US Embassy in Tehran that the projected Soviet-Iranian barter agreement would provide for unrestricted trade between the two countries for one year. At the end of the one year period the country having the unfavorable trade balance would make up the deficit by exporting additional goods. The Iranian spokesman added that his government did not want to discharge any possible unfavorable trade balance by giving rials or dollars "which the Soviets would use for operations in Iran."
- [REDACTED]

Comment: This Iranian proposal still has to be negotiated with the Soviet delegation. It would, however, seem to give the Russians an opportunity to obtain Iranian oil. Iran reportedly held a favorable balance for the 1950-51 trade agreement. This might not be the case, however, in 1951-52 if Iran increases its imports from the USSR in order to compensate for the goods it formerly got from Britain.

4. INDIA/PAKISTAN. Indo-Pakistani relations reportedly have improved: According to the US Embassy in New Delhi, the depth and sincerity of India's reaction to the Pakistani Prime Minister's assassination, and the conciliatory statement on Indo-Pakistani relations made by Liaquat Ali's successor have lessened tension between the two countries. A member of the British High Commissioner's office has also expressed the view that Indo-Pakistani relations are now better than at any time in the last four years.
- [REDACTED]

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Comment: Previous experience with Indo-Pakistani crises suggests that Indian reaction to Liaquat Ali's assassination, however sincere, is likely to be brief. Pakistan's almost immediate return to a state of apparent normalcy has demonstrated the ability of the government to control the country; and identification of the assassin as an Afghan national has minimized the possibility of armed anti-Indian outbreaks in Kashmir. Accordingly, the Indians may feel little need to modify their previous policies with regard to Pakistan, and they may be as uncompromising as ever when the UN Security Council meets to discuss the Kashmir case.

5. BURMA. Official statements give distorted picture of Burmese situation: Prime Minister Thakin Nu of Burma told a press conference in New Delhi, after his two day meeting with Nehru, that conditions in his country were improving daily. He stated that there were only 3,000 to 4,000 insurgents scattered about the country and that their rebellion was no longer "very serious." The Burmese also said that the insurgents had not received aid from China, which, he claimed, had maintained a "very correct attitude" towards Burma.

A high official of the Indian Foreign Ministry, in conversation with the US Charge, dismissed as exaggerations British reports that the situation in

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Burma was deteriorating and said that Indian intelligence supported Thakin Nu's optimistic outlook. [redacted]

Comment: These statements represent a deliberate distortion of the facts. The Burmese War Office now estimates that there are about 18,500 insurgents in Burma, and Commander in Chief Ne Win recently admitted that the initiative had passed to them. The remarks of the Prime Minister may be only an effort to maintain the fiction of Burma's "neutral" foreign policy or to hide the Burmese Government's weakness. The extreme air of casualness, however, which has been assumed by both the Burmese and Indians gives rise to the suspicion that the conference between the two Premiers was of greater significance than described and that important substantive decisions may have been taken regarding Burma's foreign relations, particularly insofar as they relate to Communist China.

6. BURMA/INDOCHINA. Viet Minh expulsion from Burma highlighted: The US Legation in Saigon reports that the local press has featured the expulsion of the Viet Minh representatives in Burma. Six members of the twelve-man mission are reported to have left Lashio, in north Burma, on 20 October. [redacted]

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Comment: The expulsion of the Viet Minh representatives from Burma was ordered because of their inordinately close relations with "anti-Government elements."

7. BURMA/JAPAN. Burmese-Japanese relations discussed: In a recent discussion with the US Ambassador, the Burmese Foreign Minister stated that a "simple unilateral declaration" ending the state of war with Japan might be forthcoming in the near future. He indicated, however, that action would at least await the return of the Prime Minister from India. The Foreign Minister intimated that Burma would consider a trade treaty with Japan after making peace. [redacted]

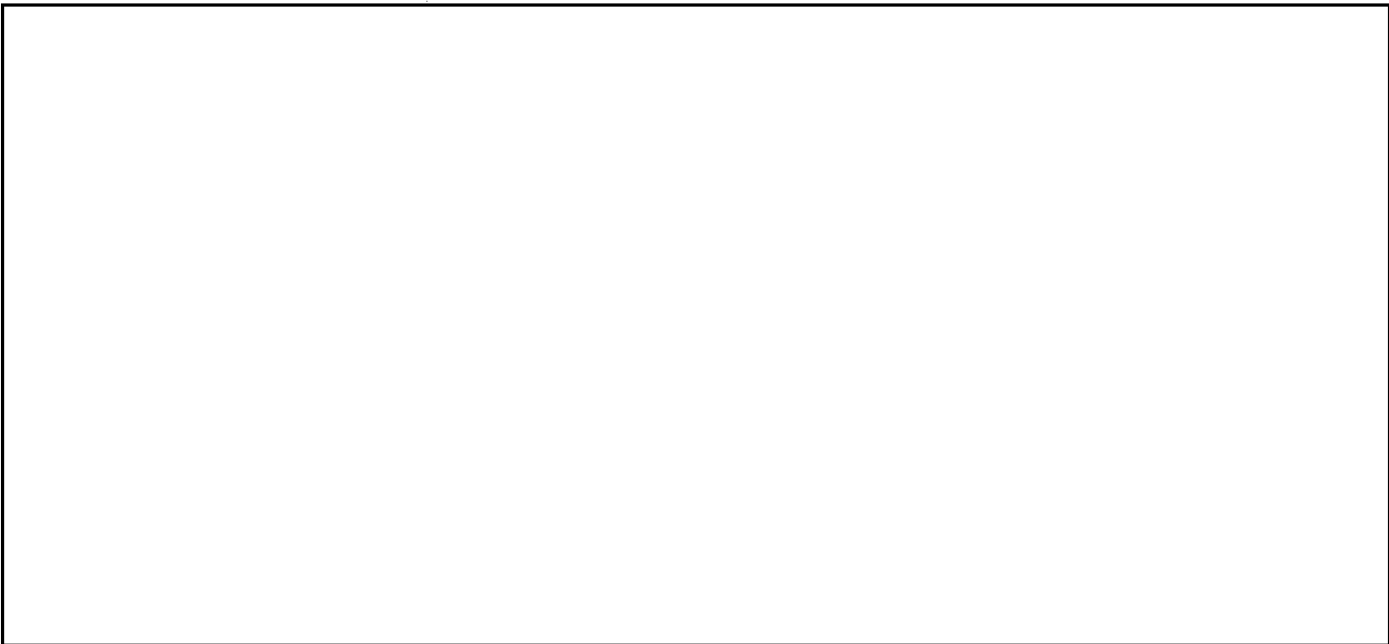
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10. INDONESIA. Commission appointed to study revision of RTC agreements: The Indonesian Cabinet has appointed a commission to study replacement of the Round Table Conference agreements with an ordinary bilateral treaty. The Commission plans to present a definite proposal to the Netherlands during the latter half of November. Government opinion, however, apparently is divided as to whether Indonesia should seek immediate action or let matters drift until after the Netherlands election in June 1952. [redacted]

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Comment: An Indonesian mission visited the Netherlands in August to initiate discussions on the abrogation of the Netherlands-Indonesian Union and the replacement of the other 1949 Round Table Conference agreements with an ordinary treaty. The two governments are now drawing up working papers which will be used as a basis for further negotiations.

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12. PHILIPPINES. Romulo disappointed at indication that US will not support Philippine election to Security Council: Secretary of Foreign Affairs Romulo was deeply disappointed when it was indicated to him that the US might support Greece rather than the Philippines for election to the Security Council. He argued that American failure to support the Philippine candidacy was poor payment for a nation so frequently accused of being an American puppet. [redacted]

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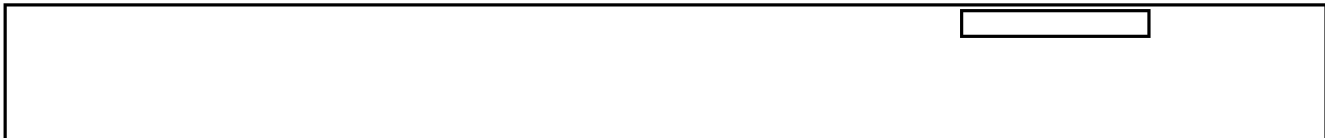
Comment: Romulo has been campaigning in support of the administration's acceptance of the Japanese peace treaty, and he would be particularly desirous at this time of any increments to the Philippines' international prestige.

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13. CHINA. Peiping asks for austerity program: In a report on economic and financial affairs, Chinese Communist Vice Premier Chen Yun declared that the nation's financial resources were adequate for the demands for national defense and economic reconstruction. The Communists, he pointed out, have kept prices in line and maintained a stable currency. He nevertheless called for an austerity program on a nation-wide scale. Economy and increased production, he said, were essential elements of the Communist economic policy. [redacted]

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Comment: A campaign for austerity would formalize what has in fact been consistent practice in China since the Communist victory. Workers have repeatedly been enjoined to give emphasis to increased output rather than to higher wages. Peasants have been propagandized on the duty of paying high taxes. "Voluntary" contributions to support the Korean campaign have been exacted from all classes. The Communists have enforced austerity with marked vigor. As a result, they have managed fairly well to keep the economy stable and have avoided the sort of inflationary spiral which cost the Nationalists public prestige after World War II.

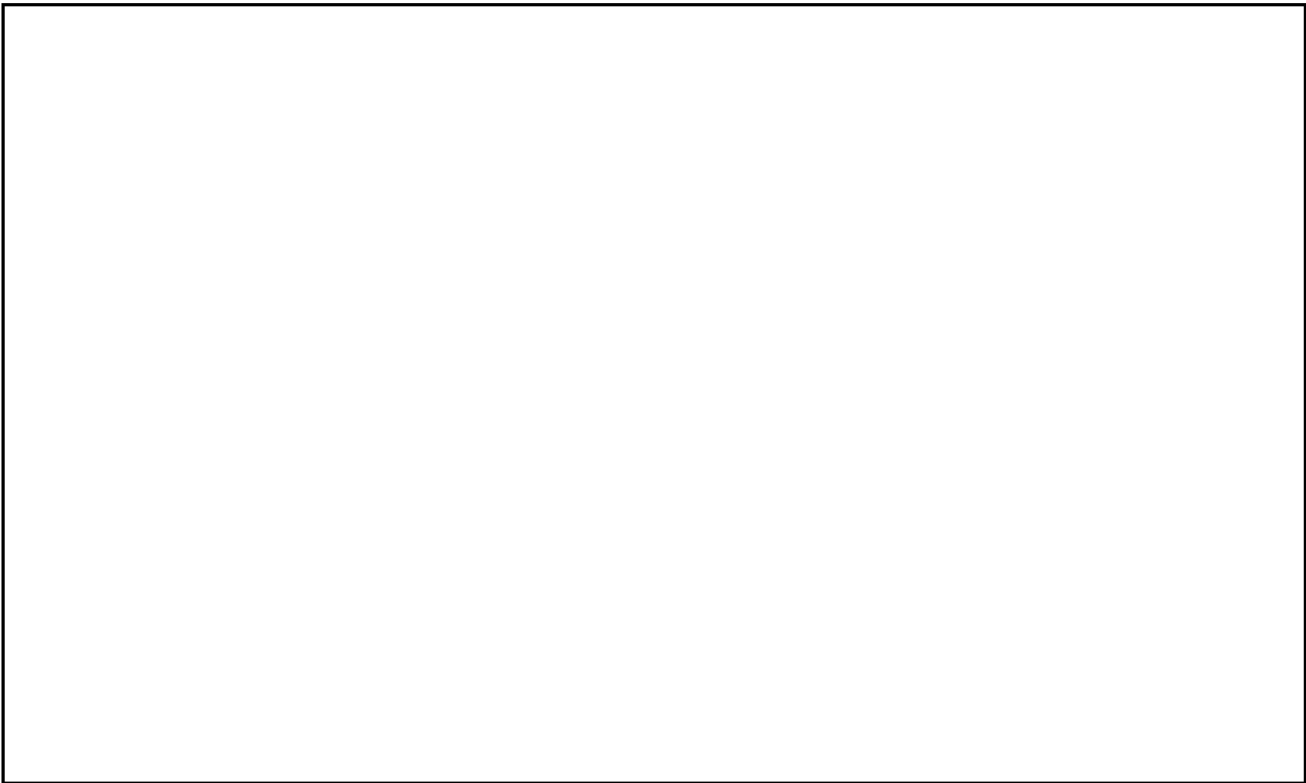
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15. Dalai Lama endorses Communist program for the "liberation" of Tibet: Peiping radio has broadcast an exchange of telegrams between Mao Tse-tung in Peiping and the Dalai Lama in Lhasa. Mao thanked the Dalai Lama for his "efforts in implementing the agreement for the peaceful liberation of Tibet." The Dalai Lama had advised Mao on 24 October that the local government, monks and populace of Tibet are giving the May 1951 agreement "unanimous support." 

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Comment: A delegation from Lhasa concluded an agreement with the Peiping regime in May 1951 providing for Tibetan cooperation in the extension of Chinese Communist authority over Tibet. It was widely believed that the Dalai Lama, in refuge on the Indian border, would repudiate this agreement, which deprived him of all significant power in Tibet. However, by September the Dalai Lama had returned to Lhasa, under occupation by Chinese Communist advance forces, and has since been expected to endorse the agreement. The Dalai Lama's adherence will facilitate the consolidation of Communist control of Tibet.

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SECTION 3 (WESTERN)

1. GERMANY. West German legislature has developed independence psychology: US representatives in Bonn observe that the West German legislature is "further down the road of independence than its legal status warrants." The lower house seems to feel that Germany's anticipated new political position has already been achieved, and that any further attempts of the Allies to complete unfinished programs are a violation of the sovereignty Germany has not yet gained. Our representatives expect this attitude to become more evident before the contractual relationship goes into effect, despite Chancellor Adenauer's sincere desire to have the Allies complete their programs. [REDACTED]

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Comment: These observations are prompted by the legislature's scathing criticism of Allied plans to insist on the sale of properties belonging to the German motion picture combine. German restiveness is manifest in other fields in which the Allies are attempting to interfere with German interests, such as the coal-allocating functions of the Ruhr Authority.

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2. Ernst Lemmer may be appointed new government press chief: Chancellor Adenauer's choice for new West German Federal press chief is Ernst Lemmer, a leader of the Christian Democratic Party in Berlin and editor of the Berlin Kurier. The press office is to be expanded and the new press chief will be given the rank of State Secretary, which entails a seat and voice in the Cabinet. The appointment of Lemmer, who is in the left wing of the CDU, may help to consolidate the party. It would also be a gesture toward all-German sentiment. Appointment of a new press chief is the result of pressure for a more effective information program on behalf of the government. [REDACTED]

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Comment: Lemmer was a leader of the CDU in the Soviet Zone until 1948, when the Soviet authorities forced him out of his position. East German politicians, such as Foreign Minister Georg Dertinger and Otto Nuschke, CDU chief, still frequently talk to Lemmer, [REDACTED]

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3. FRANCE. Opportunity seen for non-Communist labor alliance as Communists plan strikes: The US Embassy in Paris believes that present critical wage-price problems may soon result in a national conference of French economic groups from which the government will exclude the Communist-controlled General Labor Confederation. The success of such a conference, which would include the Socialists, would make a strong non-Communist trade union alliance possible. Some of the leaders, with "astonishing" though perhaps "undue" optimism, are even talking of unification of the major non-Communist groups "for the first time."

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25X1 Meanwhile, there are indications that Moscow has given the French Communists a free hand for organizing an "economic" mass movement devoid of "political antics." Strikes will probably be called during the UN Assembly session in Paris. [redacted]

Comment: The General Labor Confederation dominates French labor largely because the non-Communist unions have always failed to cooperate effectively. Virtually every political crisis in recent years has been precipitated by the Socialists who feared General Labor Confederation gains at the expense of the non-Communist unions.

The Socialists, in order to prevent a Gaullist accession to power, may now try to strengthen the wobbly Pleven government by supporting such a national economic conference.

French Communists have consistently failed in their strike movements largely because they were ordered to tie in political objectives.

4. French show continued interest in trade with USSR: A Foreign Office spokesman has told a US Embassy official that France plans "active" pursuit of the current trade negotiations with the USSR in view of increased French grain import requirements and declining supplies of dollars. The spokesman added that COCOM commitments would "of course be scrupulously observed."

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Comment: These trade negotiations were begun after the two countries signed a general commercial treaty early in September 1951. French officials have been placing increasing emphasis on their country's need for more imports from the Soviet Orbit, and at the August UN-sponsored meeting on East-West trade the French eagerly explored all possibilities of trade with the USSR in non-critical items. The USSR consistently demanded strategic commodities in return for Russian grain.

The French have previously admitted that they reserved the right to export limited quantities of critical items to the Orbit when necessary to obtain vital imports such as coal. It is doubtful, however, that French grain needs are urgent inasmuch as the 1951 bread-grain harvest nearly fulfilled French needs, and this year's abundant rainfall has greatly reduced feed-grain requirements.

5. NETHERLANDS. Benelux countries may oppose European Defense Forces plan: A Socialist member of the Dutch Parliament states confidentially that the Benelux meeting at Brussels on 25 October was convened "to organize a united front against the European Defense Forces." The Dutch Foreign Office strongly opposes the European Defense Forces plan, and the Cabinet

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is divided on the issue, with the Socialists and Catholics supporting the plan. [REDACTED]

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Comment: The meeting of Benelux ministers ostensibly was intended to examine the various questions which might be raised in connection with a common European defense organization. None of the Benelux countries has indicated any enthusiasm for the plan, and the Dutch Foreign Minister is known to be personally opposed. However, after much Cabinet and high-level discussion, the Dutch recently sent an official delegate to the European Defense Forces conference in Paris.

6. SPAIN. Spain seeks rapprochement with Moroccan Nationalists: General Franco allegedly has approved a scheme for including Spanish Moroccan nationalists in the administration of the Spanish protectorate of Morocco. The Spanish High Commissioner plans to talk with the leader of the Spanish Moroccan Nationalist party, a man who has long been considered a fugitive from Spanish justice.

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The US Legation in Tangier comments that the High Commissioner apparently is moving rapidly toward a rapprochement with the Nationalists despite the opposition of his advisors, who caution that the Nationalists would use Spanish Morocco as a base for anti-French activity. [REDACTED]

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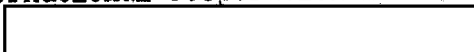
[REDACTED]
Comment: Spain has long resented the preponderant French influence in Morocco, and desires to strengthen Spanish prestige with the Arab states.

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By apparently relaxing their severe repression of nationalism, by promising participation in government now, and by hinting that Spain favors Moroccan independence, Spanish officials hope to discredit France with the Arab League and improve Spain's relations. Spain has no intention, however, of relinquishing its hold on Morocco.

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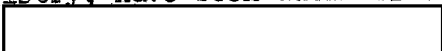
8. SWEDEN. Foreign Minister fears UN may become a broadened NATO: On the anniversary of the UN, Swedish Foreign Minister Uden stated in a public address that the UN must not become an anti-Communist alliance. Although he admitted the non-aggressive and basically legitimate character of the Atlantic Pact, the UN would not, in his opinion, be able to preserve its character as a universal organization for international cooperation if it becomes an enlarged anti-Communist alliance. 

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Comment: The Swedish Government, which continues to favor an "alliance free" foreign policy, harbors certain apprehensions that if the UN becomes strongly anti-Communist, that is, anti-Russian, Sweden may be forced to disassociate itself from that organization and retreat into an isolated seclusion. That the Swedes are disturbed by the impact such a move would have on their reputation as well as on their security, was indicated by the fact that Uden took great pains to quote the London Times and Sir Gladwyn Jebb to show that Sweden is not alone in its desire to keep the UN an organization for "harmonizing the actions of the nations in different fields."



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10. PANAMA. Black-listed steamer in China trade seeks Portuguese registry: The Panamanian Foreign Minister has informed the US Ambassador that the British owners of the freighter Talvei who have applied for cancellation of Panamanian registry, have been authorized to register the ship under the Portuguese flag. 

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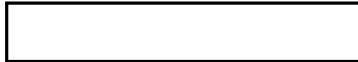
Comment: The Taluei was faced with deregistration proceedings under the 18 August Panamanian directive ordering the cancellation of registry for all vessels calling at Communist ports in Asia or carrying war materials to Macao or Hong Kong. The freighter recently delivered a cargo of strategic manganese to Macao for alleged transshipment to China.

The US Consul in Hong Kong believes that P. J. Lobo, Macao's economic director and reputed political boss, will welcome all such applications for transfer to Portuguese registry. A Portuguese Foreign Office spokesman has stated informally in Lisbon that only Portuguese-owned ships are eligible for Portuguese registry; he gave his assurances that he will watch closely all applications for Portuguese registry.

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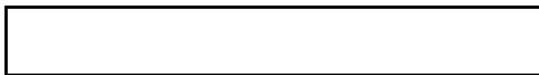
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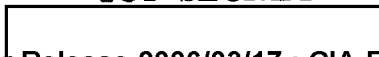
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SECTION 2 (EASTERN)

1. LIBYA. American Consul General in Tripoli urges banning of Libyan leader:
The US Consul General in Tripoli believes that Bechir Saadawi, the Egyptian-supported Tripolitanian leader, should leave Libya permanently in the best interests of the US, the UK, and Libya itself. Since Saadawi is scheduled to attend the UN General Assembly in Paris, his reentry visa could be revoked by the new independent Libyan Government during his absence in Europe. The Consul General believes that, while several days' demonstrations might result from such action, Saadawi's party would be broken and the Tripolitanian leader "would wither on the vine." The Consul General further believes that the danger of Saadawi's becoming a martyr by this course of action is much less real than the danger to American and Libyan interests of Saadawi's continued presence in the country. [REDACTED]

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Comment: The opportunistic Saadawi, with financial backing from Egypt, has been an effective critic of the new Libyan Government proposed by the UN. Saadawi has frequently, despite several protestations to the contrary, worked against US interests. Within the past ten days he has aroused the opposition of Tripolitanian land-owners to the acquisition by the US of land needed for extending the runways at Wheelus Airbase. There is little doubt, therefore, that if Saadawi remains in Libya, he will seriously hamper the successful formation of the new Libyan Government and on occasion oppose Anglo-American interests there.

2. EGYPT. British and American Ambassadors warn of serious developments in Egypt:
The US Ambassador in Cairo reports that his British colleague advised London on 25 October that the new British Government would soon have to make "very grave decisions" in regard to Egypt. If the present situation in the Suez Canal zone is allowed to drift, he said, a revolution in Egypt is in prospect, ending with British reoccupation of the country. Without a minimum of Egyptian cooperation, it is "probable that it will become increasingly difficult to maintain British troops at Suez." If, on the other hand, British military authorities exercise their power to shut off oil, "disaster will probably ensue."

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The American Ambassador comments that the United States must also "think this whole business out and not get involved in a dead-end loaded with dynamite." [REDACTED]

3. British threaten to cut off Egyptian oil supplies again: The British Commander in the Suez Canal area has threatened to cut off again the fuel oil supplies flowing into Egypt from the Suez refinery. In making the threat, the Commander stated he contemplated doing this because he was not sure that "the Egyptians had learned their lesson."

The British Shell manager states that this action would force the refinery

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to close within two or three days because of lack of storage space. This would in turn shut down the producing fields and stop the flow of kerosene and gasoline to Cairo.



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Comment: The British-controlled pipeline to Cairo was closed for one day on 23 October. Cutting off oil supplies would result in widespread hardships and a practical breakdown of utilities and industry in Egypt. If this should be done, popular antipathy toward the British would be heightened and public indignation would increase.

It has been commonly believed that the British military forces in the Canal Zone could maintain their position regardless of what the Egyptians might do.

4. AFGHANISTAN. Current international situation alarms Afghanistan: The Afghan Government, genuinely alarmed at the recent turn of events in the Near East and South Asia, has assured the US of its cooperation "in every possible way" and has requested the US to reconsider the withdrawal of its proposal to bring Afghanistan and Pakistan together to settle their current disputes.

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Comment: The American proposal, first made on 6 November 1950, has achieved no concrete result to date, and the US has recently informed Afghanistan and Pakistan of its withdrawal.

As a consequence of this action, the Afghan Government may have taken stock of its international position. It has noted the gradual awakening of the Afghan people to constitutional changes which have been made in Asian governments since 1945. It is probably upset by the current unrest in the Moslem world and by the wave of assassinations culminating in that of the Pakistani Prime Minister. It is undoubtedly aware of lowered British prestige in Iran and Egypt, and it may be seeking to maintain its equilibrium between the Western world and the Soviet orbit. Finally, it may be considering the difficulties of obtaining vital oil and other supplies from Iran or through Pakistan.

It is possible, therefore, that an important change in Afghan policy is in the making, which will lead to a more conciliatory attitude toward Pakistan and to a more active participation in world affairs.

5. JAPAN. Yoshida claims no drastic revisions of Occupation's reforms are contemplated: Prime Minister Yoshida feels that the remarks of US Minister Allison during a recent New York speech concerning Japan's probable repeal of the

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25X1 Occupation's reforms suggest a lack of confidence in the democratic character of the Japanese Government. Upon instructions from the Prime Minister, an official of the Liberal Party called upon the US Political Adviser to point out that the government is scrupulously following a procedure of close consultation with SCAP headquarters regarding any contemplated revisions of laws or ordinances. The official also stated that the government would not bring about any drastic changes after the peace treaty comes into effect. [REDACTED]

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Comment: Despite these reassurances, a letter last April from the Prime Minister to SCAP suggested the need for extensive modifications, some of which were basic to the democratic reform program. Currently, an advisory body to the Prime Minister is making recommendations for widespread changes, but to date action has been effected only in respect to the de-purging of wartime leaders, and to the recentralizing of police.

SECTION 3 (WESTERN)

6. AUSTRIA. French spell out objections to US strategy on Austrian treaty: The French Foreign Office has submitted an aide-memoire to the US Embassy in Paris stating explicitly its apprehensions regarding US plans for a new approach to an Austrian settlement. The abbreviated treaty text proposed by the US excludes the possibility of Soviet acceptance, the French assert, because it annuls previous Western concessions to the Soviet Government on German assets, omits all references to denazification, and imposes no limits on Austrian armed forces. The USSR will be free, not only to reject such a treaty, but to charge the West with an unfair maneuver designed to facilitate the transformation of Austria into a military base against the Soviet Union. The French are equally opposed to an appeal to the UN on the grounds that this would merely stiffen Soviet opposition.

25X1 The French suggest that the West be prepared in any new discussion to grant further concessions on the old draft treaty and to threaten the withdrawal of concessions previously granted. If, however, the Soviet Government remains adamant, the French believe that it is in the best interests of Austria to maintain the status quo, to avoid a pretext for Soviet partition of Austria, and to hope for a long-run modification of Soviet opinion. [REDACTED]

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Comment: The French aide-memoire confirms previous indications that the French Government is not disposed to press the Austrian issue at this time. This attitude reflects, in part, French concern that a withdrawal of occupation troops would leave Austria exposed to Eastern aggression; but it also reflects the consistent French desire to maintain the current stalemate in the cold war in Western Europe.

TOP SECRET

