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EUROPE

1. **FRANCE: Anti-Communist forces gaining strength--US Ambassador Caffery now believes that the Communists will not eventually take over France, but adds that it will be a long and tedious task to weld the truly democratic forces in France into an effective machine. Caffery adds that the CGT (General Confederation of Labor) is the "key" to the situation and that, while some effort has been made to weaken Communist control of the CGT, "non-Communist Parties are not yet in a position to stage a fight with Communists over the CGT."**
- No real split in French Communist Party--Ambassador Caffery, in a comment on certain recent articles in the US press, expresses the belief that the French Communist Party is not divided into those whose basic allegiance is toward Moscow and those who are loyal to France. The only division is one of "opinion concerning the tactics that would best serve Moscow's and the Party's interest."**
- De Gaulle may seek leadership of anti-Communist "Union"--According to Caffery, several of De Gaulle's intimates believe that the General's 7 April address at Strasbourg will be "the" De Gaulle speech; one of them believes that De Gaulle may announce that he is assuming the leadership of "a vast (anti-Communist) political movement of Union." Caffery adds that the General's 20 March speech at Bruneval may be considered an appeal to De Gaulle's wartime supporters, a condemnation of Communist political use of the resistance and the Constitution, and a "prelude" to the "Strasbourg declarations."**
2. **GERMANY: 30,000 Jews reported in "Pipeline"--US Commanding General Europe reports that, according to a very reliable source, between 4,000 and 5,000 Jews will leave the US Zone in Germany each month for Palestine by way of Austria and Italy. The source further reveals that arrangements have been completed for these illegal transfers, and that 30,000 Jews are now in the "pipeline" in Czechoslovakia waiting their turn to enter the US Zone. The Theater considers that a mass movement to Palestine may be developing.**
3. **GREECE: Centrist Ministers will not resign at this time--Venizelos has informed US Embassy Athens that he and Kanellopoulos (both Centrist Ministers) "are desirous of following the instructions of the US Government" and will not resign from the Cabinet at this time (see Daily Summary of 27 March, item 7).**

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4. USSR: Smith disturbed over possible discontinuance of AMERIKA--US Ambassador Smith in Moscow is seriously disturbed over the possibility that publication and distribution of the magazine AMERIKA in the USSR may be discontinued. Smith reports that the magazine is "constantly improving and becoming better known," that it is the Soviet people's one sure source of information about the US, and that its discontinuance would be a "tragedy." AMERIKA'S popularity, according to Smith, is indicated by the fact that single pages are sold on Soviet black markets at prices equal to those of average magazines in the US.
5. UK: Trade relations with the USSR--US Embassy London reports that UK authorities responded quickly to press reports that Stalin offered Bevin wheat and other exports. Inspired news stories pointed out that "trade" in general terms, and not "aid," was discussed during the interview. Although economic crises in the UK and USSR substantially preclude mutual trade, the Government, in response to leftist political pressure and in order to satisfy the general desire for such trade, "must make every public effort to increase" it. Small hope of success is held out to the public.

NEAR EAST-AFRICA

6. PALESTINE: Jewish Agency representative's views--US Embassy London reports that Dr. Nahum Goldmann (Washington representative of the Jewish Agency) made the following points in a recent discussion of the Zionist case with Ambassador Douglas: (a) the US and the UK should work out joint policy recommendation on Palestine before the matter goes to the UN; (b) a violent Arab reaction to a modest increase in Jewish immigration is unlikely; and (c) the State Department will be under "strong pressure" from US Zionists and their friends until the Department takes "a line favorable to Zionist aspirations."

FAR EAST

7. SIAM: Possibility of military coup--US Military Attache Bangkok believes that a military coup d'etat led by Phibul is a definite possibility

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in view of the expected absence from Bangkok, within the next two weeks, of a large number of strong political figures who could oppose such a move.

(CIG Comment: If a military coup appears increasingly probable in the next two weeks, former Premier Pridi and former Foreign Minister Direk will probably postpone their departures from Siam in order to stiffen resistance to Phibul's return to power.)

THE AMERICAS

3. **BOLIVIA:** Brazil reported willing to mediate Paraguayan conflict--The Brazilian Ambassador to Bolivia has told US Ambassador Flack that Brazil has offered to act as mediator in Paraguay and will invite Bolivia and Argentina to participate in the negotiations if its offer is accepted.

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GENERAL

1. TWA assistance to airlines in Middle East--Acting Secretary of State Acheson has notified US Embassy Tehran that TWA has discussed the Iranian Airways' problem with the State Department, and TWA will seek a solution which will ensure continued operation of the airline (see Daily Summary of 19 March, item 4). Acheson also reports that TWA policy is to continue assistance to all internal airline companies in the Middle East in which TWA has an interest.

EUROPE

2. UK: Churchill associate cites Laborite-Conservative cordiality--Lord Winterton, senior member of Parliament and close associate of Churchill, has told US Military Attache London that, despite political differences, "very strong personal and friendly" relationships have developed between Laborite and Conservative Members of Parliament. Winterton believes that these relationships promise "great security" for the UK in any emergency.

FAR EAST

3. CHINA: Chiang indicates need for US ammunition--US Ambassador Stuart reports that Chiang Kai-shek has told General Gillem, formerly the US Commissioner of Executive HQ, that the ammunition shortage is now the Nationalists' most serious problem. At Chiang's instruction, the Chinese Minister of Communications (an ordnance expert) informed Gillem that the Government's US-equipped divisions were "rapidly becoming ineffective," and implied that the US had a moral responsibility to prevent their disarmament. The Chinese Minister did not make a formal request for US aid but offered to prepare a detailed statement of ammunition needs for US consideration. He showed obvious concern when he learned that General Gillem, who is due to leave China shortly, might not reach Washington until 1 June.

Chinese plan to begin Dalren occupation by 15 April--Stuart also reports that the Central Government has informed the Soviet Ambassador Nanking that it will dispatch administrative officials "accompanied by the necessary political and military forces" to the Port Arthur Naval Base

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area and the city of Dairen "in the very near future." The Chinese Foreign Ministry informed Stuart confidentially that this operation would be started between 10 and 15 April. (Reports from Dairen indicate that the Soviets have no intention of allowing Nationalist military forces in the area; see Daily Summary of 25 March, item 8.)

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GENERAL

1. Stalin-Bevin 24 March talk--US Embassy London has been informed by the UK Foreign Office that in the 24 March Stalin-Bevin talk the conversation was in "general terms" and Bevin did most of the talking. Bevin (a) cited the strategic importance of Egypt to the UK; (b) denied the "propaganda" that the UK opposed an Iranian oil concession to the USSR; (c) declared that when Indian independence is established, "the relations of other countries to India would assume great importance as far as world peace was concerned;" and (d) reiterated the main points in the UK position on Germany. Regarding each of these points, Stalin either made no "significant" comment or stated that he understood the British position.
According to the Foreign Office, when Bevin insisted that any Soviet-UK air agreement permit UK planes to land on Soviet territory, Stalin uncompromisingly maintained that the exchange point be Berlin.
2. Douglas' estimate of UK reaction to President's speech--US Ambassador Douglas estimates that (a) the Conservative Party and the "business community" support the President's speech on Greece and Turkey "without qualification;" but (b) that the Labor Party (except for the openly critical fellow travelers and extreme leftists), the "Socialistic intelligentsia," and independent groups are apprehensive lest the UK be caught between two uncompromising Great Powers. The latter view, Douglas believes, is not held by the Foreign Office.
3. Ethridge again opposes leaving team in Greece--Mark Ethridge reiterates from Belgrade his belief that the US should not press for the Security Council Investigating Commission to leave a team in Greece while the Commission is writing its report in Geneva (see Daily Summary of 25 March, item 1). Ethridge reports that the French, Belgian, Australian, and Chinese delegates (in discussing Austin's speech to the SC) agree that it would be unfortunate to force the question in Geneva as it has already been "raised and dropped" by the Commission.
4. Secretary Marshall considers raising Korean question at Moscow--Secretary Marshall is considering various methods of approaching the Soviet Government on the subject of Korea before his departure from Moscow, and has accordingly drafted a letter which he might give Molotov suggesting that the Joint Commission be reconvened as soon as possible, and that the US and Soviet Governments select a date during the summer for a review of the Commission's work.

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EUROPE

5. AUSTRIA: Soviet violation of parliamentary immunity--US Legation Vienna considers that the recent arrest by Soviet soldiers of a member of Parliament constitutes "a breach of the control agreement and should be seriously regarded."

(CIG Comment: Hitherto the USSR has maintained a correct attitude toward the Austrian Government. This breach of parliamentary immunity may be intended to test the reaction of the Western Powers and to intimidate Austrian leaders.)

6. ITALY: Communists reportedly directed to stir up disorder--US Ambassador Dunn reports that the Embassy has learned from a "reliable source" that the Italian police have "intercepted" orders from Moscow directing the Italian Communist organizations to "commence disorders at once in Italy." Dunn adds that there is widespread concern in Italy over the increase in political violence and disorder during the last few weeks.

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EUROPE

1. GERMANY: Food demonstrations indicate grave situation--Acting US Political Adviser Heath reports that the mass hunger protests in the Ruhr indicate an "extremely grave" situation. While the food shortages have in fact existed for "many months," Heath attributes the present crisis to the breakdown of the German administrative organization responsible for the distribution of food. He adds that, unless conditions improve, the strikes and demonstrations will tend to become more frequent, and his opinion that they will spread to the US Zone is supported by US European Command Frankfurt. Although the present situation appears to have developed as a spontaneous protest, Heath considers that it could be easily exploited by organized groups to embarrass the German authorities and the Military Government. Heath states that the over-all food situation in both the US and the UK Zones will "grow worse instead of better" between now and the 1947 harvest. In his opinion the US and UK must either import enough food to be certain that the ration scales will be met or be prepared to face continued demonstrations and possible disturbances.
2. SPAIN: Foreign press privileges threatened--US Charge Madrid reports that the Spanish Government's abrupt withdrawal of press accreditation and communications facilities from a responsible US newspaper correspondent, coupled with similar recent treatment of a French newspaperman, "may indicate abandonment of the policy of freedom from censorship and control for foreign correspondents enunciated in April 1945."

FAR EAST

3. CHINA: Data on Nationalist munitions--US Ambassador Stuart reports that the Central Government's National Defense Ministry has handed a member of the US Army Advisory Group a detailed report showing the current production and ordnance depot stocks of Nationalist arms and ammunition. Stuart's cabled summary of the report shows a monthly production of 11,000,000 rounds of 7.92 ammunition (the type which the Chinese have made repeated attempts to obtain from the US; their current inquiries are as to the availability of

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130,000,000 rounds). The report concludes with the statement that the Chinese Ordnance Service is able to meet Nationalist requirements "for current operations," and that existing ordnance stores "or substitutes thereof" are sufficient "to sustain operations for a three or four-month concentrated offensive."

4. NEW ZEALAND: Labor Government may face serious crisis--All US representatives in Wellington report that recent internal economic and political developments have contributed to continued deterioration of the stability of the Labor Government. The most pessimistic local view, as reported by the US Naval Attache, envisages the resignation of Prime Minister Fraser and a general strike within six months.

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EUROPE

1. CZECHOSLOVAKIA: Steinhardt reviews conditions on return to Prague--
US Ambassador Steinhardt reports as information gleaned from conversations with President Benes and Foreign Minister Masaryk, that during his absence: (a) there was no direct Soviet intervention in Czechoslovak affairs other than the Soviet request for the recent Czechoslovak-Polish treaty; (b) indirect influence on Czechoslovak politics by the USSR appears to be considerably less marked; (c) although Premier Gottwald's leadership of the Communist Party is in no immediate danger, he is having difficulty controlling the "younger extremists" in the Party; (d) the Social Democratic Party has definitely broken with the Communist Party and has gained votes at the expense of the Communist and Peoples Parties; (e) difficulties are being encountered in meeting the agricultural requirements of the two-year plan; and (f) while relations with Yugoslavia are deteriorating, those with Poland are improving.
2. RUMANIA: Food outlook continues dark--US Delegate ACC Bucharest reports that the food outlook for 1947 "continues to darken." Reports now indicate nearly 100% frost damage to autumn wheat and barley plantings in the country's principal cereal producing areas. The Delegate estimates that large scale imports of cereals must continue at least until the fall harvest.

THE AMERICAS

3. PARAGUAY: Mediation offer rejected--The Brazilian Ambassador in Washington has informed the State Department that the Paraguayan Government, feeling itself strong enough to deal with the revolution, has rejected Brazil's offer to mediate. The Paraguayans, however, would consider such an offer later, should it become opportune to do so.
US Ambassador Trueblood in Asuncion reports his opinion that, despite rejection of the Brazilian offer, Paraguay could hardly refuse mediation if it were backed by all the American Republics.

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EUROPE

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1. USSR: Soviets prepared to discuss lend-lease settlement--Molotov has replied to Embassy Moscow's aide memoire urging prompt negotiation for lend-lease settlement (see Daily Summary of 31 March, item 2) by officially stating that the Soviet Government is prepared to open discussions immediately. The Soviet representatives will be designated at once and will be headed by Mikoyan (Soviet Minister of Foreign Trade and reputedly one of the USSR's shrewdest negotiators).

FAR EAST

2. KOREA: US reply to demands for payment of electric power claims-- General Hodge has replied to the recent demand of the Chairman of the People's Committee in North Korea for prompt payment of electric power supplied to the US Zone from August 1945 through January 1947 (see Daily Summary for 29 March, item 5). In his reply, addressed to General Korotkov (who has recently replaced Chistiakov), General Hodge declares his willingness to make emergency allocations of electrical equipment to North Korea in order to maintain the power system for both the US and Soviet Zones. The reply also reminds the Soviet Commander of Hodge's earnest desire for a settlement, and repeats Hodge's invitation of 31 August 1946 to form a joint committee to study problems of interzonal exchange.

Marshall advised to discuss Korea with USSR--Acting Secretary Acheson, with the concurrence of the War and Navy Departments, has recommended to Secretary Marshall that the latter's proposal to reconvene the Korean Joint Commission this summer be made in the form of a letter to Molotov which could then be published or at least communicated to the British and Chinese (see Daily Summary of 3 April, item 4).

3. CHINA: Manchurian railroad equipment moved into USSR--US Consul General Mukden reports that information concerning Manchurian railroads "unanimously indicates" that the rolling stock which the USSR removed from southern Manchuria during the Soviet occupation has been moved across the Manchurian border into Siberia. The Consul General's "best informed source" reports that the USSR removed about 90% of the 6,000 locomotives and 60,000 railway cars that were in southern Manchuria prior to the Soviet occupation.

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GENERAL

1. Reports of Soviet atomic bomb tests--US Military Attache Nanking reports information from two "fairly reliable" sources that an explosion of earthquake proportions accompanied by a blinding flash occurred in mid-March at a Soviet military reservation near Wu Shih, in Sinkiang. The Assistant US Naval Attache Peiping has transmitted a Chinese military intelligence report of "doubtful accuracy" concerning a Soviet atomic bomb test on naval vessels, presumably held in Shelekhova Bay (Sea of Okhotsk).

(CIG Comment: These reports are similar in content and origin to several received since July 1946, none of them confirmatory. In general such reports are not supported by other intelligence, factual evidence, or expert estimates of Soviet atomic energy potential.)

2. Reported Soviet delimitation of Chinese occupation of Dairen--A high-ranking Chinese Nationalist officer has informed the US Consul General Mukden that the USSR intends to limit the Central Government's control of Dairen to the southern section of the city (thus excluding the Chinese from the harbor front) and to a narrow corridor along the railroad leading out of Dairen.

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GENERAL

1. UK may propose revision of German level-of-industry plan--Bevin has informed Secretary Marshall that a new level-of-industry for the US-UK Zones in Germany should be determined immediately. Bevin suggests ten million tons of steel as the "basis of departure" and stipulates that no additional costs for the British taxpayer be permitted. This procedure, according to Bevin, would entail reconsideration of the plants which could be dismantled and released for reparations payments. Secretary Marshall and Bevin have agreed that US and UK representatives should try to work out a joint proposal to present to the Council of Foreign Ministers.

EUROPE

2. CZECHOSLOVAKIA: Transit issue hinders anti-Communist swing--US Ambassador Steinhardt reports that the US position on transit charges for Czechoslovak freight through the US Zone Germany "tends to obstruct the present gradual swing of Czechoslovak public opinion away from the Communists." Although accurate figures are lacking, Steinhardt reports that there is evidence of considerable diversion of Czechoslovak traffic from German to Polish ports.
3. ITALY: UK-US troops may remain on Morgan Line--US Ambassador Dunn reports that, at the direction of the Supreme Allied Commander Mediterranean, Premier De Gasperi has been confidentially informed that if Yugoslavia fails to ratify the Italian Peace Treaty, "Anglo-American forces will remain in Pola and on the Morgan Line."

NEAR EAST-AFRICA

4. PALESTINE: Increased tension between Jewish Agency and terrorists--US Consul General Macatee in Jerusalem reports a rising tension between the Jewish Agency and Irgun (see Daily Summary of 29 March, item 3). Although the Agency has achieved partial success in restricting terrorist activities, Macatee notes a prevailing nervousness in Agency circles over the possibility of violent Irgun and Stern Gang reaction. An Agency source, probably connected with Haganah (the Jewish Agency's military arm), recently told Macatee: "We are in a hell of a fix. We

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must get terrorists under control while avoiding bloodshed and any appearance of cooperation with the British."

FAR EAST

5. CHINA: Nationalists may delay entry into Dairen--According to US Ambassador Stuart, the Chinese Foreign Office has indicated that, in the absence of a reply from the USSR to the Chinese note of 31 March on the re-entry into Dairen, Nationalist plans to take over Dairen may be deferred. A Chinese intelligence official has told US Naval Attache Nanking that the operation "would not be carried out this month."

THE AMERICAS

6. PARAGUAY: Plans for Morinigo's ouster discussed--US Military Attache Asuncion has been told by a "usually reliable source" that the Colorado Party (which in the past has helped maintain President Morinigo in power) decided two weeks ago to oust him, but has postponed the ouster pending an agreement with the Liberal Party (which is anti-Morinigo but has not officially supported or opposed the Concepcion rebels). Source believes that such an agreement is "probably close at hand," and that the two Parties will form an interim government, oust Morinigo, and restore peace.

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GENERAL

- 1. Soviet tactics in CFM--The US Military Attache Moscow reports that the purpose of the USSR's "blocking methods" in the Council of Foreign Ministers may be to postpone as long as possible the final German settlement while pursuing its activities in Germany directed at "bending Germany eastward;" in the meantime, the USSR apparently permits only enough progress in the CFM to justify further conferences.

EUROPE

- 2. FRANCE: De Gaulle plans return to power--General de Gaulle has informed US Ambassador Caffery that he believes that economic conditions will become so bad "around the latter part of this year" that the people will become completely disillusioned with existing political parties and, with the exception of the Communists, will call upon him to save the nation. Although De Gaulle stated that his return to power would be by legal means, in Caffery's opinion his plans are still "somewhat nebulous."

Cabinet may reduce bread ration--US Embassy Paris has been confidentially informed by the Ministry of Agriculture that the French Cabinet has decided to reduce the bread ration as of 1 May, unless additional grain imports are made available immediately.

- 3. ITALY: Fiscal crisis seen threatening Government--US Ambassador Dunn reports that there is a "general feeling" that the Italian Government has been "weak and procrastinating" in dealing with conditions which have led to the present financial situation and has been "led around" by the Communists. Some of Dunn's informants predict that attacks upon the Government's fiscal program may lead to changes in the Cabinet, if not a defeat of the present Government.

FAR EAST

- 4. CHINA: Alliance between Soong and the CC Clique rumored--US Ambassador Stuart reports that T.V. Soong recently remarked to a US Embassy official that, within the Kuomintang Party, the Political Science Group (the most liberal KMT faction) has little strength and is regarded as an inter-loper. Stuart considers Soong's remarks significant in view of a rumor

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that Soong and the Kuomintang's right-wing CC Clique are contemplating a "temporary alliance of convenience" which would result in Soong's appointment as President of the National Economic Council. This would provide the CC Clique with a "facade" behind which they could expand their economic and financial control.

Private cotton loan arranged with US bank--The US Assistant Treasury Attache Shanghai reports that the National City Bank of New York has completed arrangements with the Central Bank of China to provide US\$ 40,000,000 for the financing of current shipments of raw cotton from the US to China. (Although details are not completely settled, earlier negotiations indicated that this would be a short-term loan, secured by a lien on China's official foreign exchange assets.)

US requests Soviet help in effecting release of US officers--US Ambassador Stuart has requested the Soviet Ambassador in Nanking to relay, via the Soviet Consul General in Harbin, a request to Chinese Communists in Manchuria that they "establish some new channel of communication" to carry out their commitment for the release of the two US officers -- Rigg and Collins -- recently captured by the Chinese Government. Stuart made this request because all other efforts of communication had failed and because only the USSR maintains representation in Communist Manchuria. The Soviet Ambassador replied that the question was "a delicate one" and that his office was not in direct contact with Manchuria. He agreed, however, to send the US request to Moscow for retransmission to Harbin. (The US Consul General in Changchun, Manchuria has recently received reports of "uncertain reliability" that Rigg and Collins had been "handed over to the Russians" and sent to the USSR.)

5. FRENCH INDOCHINA: Views of Vietnam representative--US Ambassador Stanton reports that a representative of the Vietnam Foreign Ministry, who arrived recently in Bangkok, has told the US Military Attache Bangkok that the Vietnam Government is disillusioned with the French Communist Party because of its support of the French military campaign against Vietnam. The Vietnam representative expressed doubts as to the ability of the new French High Commissioner, Bollaert, to change French policies and stated that Vietnam possesses both the arms and the resources for a six-year war which would paralyze French economy in Indochina.

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EUROPE

1. CZECHOSLOVAKIA: Communist coup predicted--The Czechoslovak Minister to Turkey has told US Military Attache Ankara of his "strong hunch" that the Communists will stage a "coup" in Czechoslovakia soon after the Moscow Conference. The Czechoslovak Minister fears that all non-Communist former members of the Czech underground will be arrested and bases his reasoning on his belief that (a) the logical Soviet reaction to the Truman Doctrine is to extend the iron curtain westward; and (b) the Communists must act quickly to preserve their position in view of the fast developing anti-Communist feeling in Czechoslovakia.

(CIG Comment: The Minister's predictions appear to be unjustified. No reliable evidence has been received either from Czechoslovakia or from the USSR in support of his fears, which have probably been magnified by the intense rumor-ridden atmosphere presently prevailing in Ankara.)

2. RUMANIA: Complete currency collapse near--US Representative Berry reports that, in the opinion of most observers, inflation is "now out of hand" and the Rumanian currency is "about to collapse completely." Since 1 April the free dollar rate has risen from 415,000 to 900,000 lei. According to Berry, the immediate causes of the sudden collapse appear to be (a) legislation calling for sharp wage and price increases; (b) gold shipments to Switzerland; (c) indications of another crop failure; (d) sweeping powers granted the Communist-controlled Ministry of National Economy; (e) increased budget proposals envisaging far greater taxation; and (f) realization that the peace treaty will have no immediate beneficial effects on the Rumanian economy.

3. FRANCE: Madagascan outbreaks of "real political concern"--US Ambassador Caffery reports that he has been "privately" informed by the Chief of the Cabinet of the French Overseas Ministry that, although the situation in Madagascar is "under control" in the military sense, politically it is a matter of "real concern". Caffery's informant said that the Ministry was "in the dark over present Madagascan intentions." While he was "reluctant" to attribute the blame for the outbreaks to the Communists, the official declared that Vietnam leader Ho Chi Minh had "frequent conversations" with the Madagascan deputies in Paris last summer.

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NEAR EAST-AFRICA

4. **TURKEY:** Turks would devote US financial aid to military needs--US Charge Bursley reports that the Turkish Foreign Office has informed Ambassador Baydur in Washington that the \$100 million earmarked for Turkey in the US-aid proposal should be devoted entirely to military needs. The Foreign Office view is that, as this sum is not enough even for military needs, none of it would be allocated to economic projects.
5. **EGYPT:** Proposed solution to the Anglo-Egyptian deadlock--US Ambassador Tuck in Cairo reports that Premier Nokrashy and British officials in Cairo are considering informally a proposal designed to break the present Anglo-Egyptian deadlock. Tuck states that the new plan, which is called an agreement and not a treaty, is designed to diminish Anglo-Egyptian differences through face-saving language and concessions to the Egyptians. According to the plan, British troops would evacuate Egypt 18 months after ratification of the agreement, the Egyptians would obtain a greater share in the condominium administration of the Sudan, and the true wishes of the Sudanese would be determined by the UN General Assembly.

FAR EAST

6. **JAPAN:** Soviets protest Premier Yoshida's alleged remarks--Acting Secretary Acheson has informed General MacArthur that the State Department has received a formal protest from the Soviet Embassy concerning Premier Yoshida's press interview of 20 March in which the Premier is alleged to have said: "We have a very dangerous enemy to the north."

THE AMERICAS

7. **ARGENTINA:** Messersmith suggests air negotiations--US Ambassador Messersmith reports that Argentine officials now feel that Argentina must modify its restrictive policies to meet US principles of freedom of the air, and that it should conclude a bilateral commercial air agree-

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ment with the US before the May meeting of the International Civil Air Organization. Messersmith recommends that a US delegation be sent "immediately" to Buenos Aires to resume negotiations.

8. **BOLIVIA:** Possibility of attack by subversive groups--US Ambassador Flack has been informed by President Hertzog that the Bolivian Army and Police would be "almost useless" in combating a revolt by either the MNR (National Revolutionary Movement) or PIR (Leftist Revolutionary Party). Hertzog considers a revolt by either group likely "at the first favorable opportunity." Hertzog, therefore, wishes to obtain US equipment, under "an extension of lend-lease," for a mobile force of 1,000 carabineros.

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EUROPE

- 1. **FRANCE: Effects of De Gaulle's political activity**--Embassy Paris reports that De Gaulle's recent political activity has created acute uneasiness in all French centrist and leftist political parties, largely because every party (except the Communists) realizes that De Gaulle represents a powerful attraction to a substantial part of its membership and is out to divide and destroy the individual parties as they are now constituted.

The Embassy adds that De Gaulle apparently believes that in the ruins of the present political party system he can rally a substantial majority and construct a strong coalition grouping all anti-Communist forces. The Embassy doubts, however, the feasibility of De Gaulle's plan at this juncture, because only the Socialists can provide De Gaulle the worker and trade union support requisite to a broad and successful anti-Communist coalition, and the Socialists have been "forced back into the Communist embrace" by De Gaulle's current efforts to destroy the present Government. According to the Embassy, some Socialist and centrist leaders, who have already sought an anti-Communist coalition, fear De Gaulle's action may divide anti-Communist opinion and put an end to the present "moderation" line of the Communists.

Possibility of secret French-Vietnam negotiations--Embassy Paris also reports that, although the son of the French Overseas Minister insists that no negotiations are now in progress in Indochina, he has expressed the belief that "a suitable approach" would shortly be made by the Viet Minh. The Embassy speculates that secret negotiations may now be taking place concerning the designation of a Vietnam plenipotentiary and the acceptance of France's armistice terms.

- 2. **SPAIN: Franco seen as "wooing" US**--A UK Foreign Office official has informed US Embassy London of the Foreign Office's belief that the Franco regime is "wooing the US." The official declared that, while US Embassy Madrid was given advance notice of the announcement of Franco's law of succession, the UK Embassy was not. The official added that the UK Foreign Office is giving "considerable thought" to the Spanish situation, because it feels that the Spanish question may be raised in the Security Council in June.

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GENERAL

1. UK Military Mission in Greece--Bevin has informed Secretary Marshall that the UK Government has agreed to leave the British Military Mission in Greece "until its task is completed," on the understanding that the Greek Government will pay for its maintenance in dollars from the US "loan."

In response to Secretary Marshall's request for a basis for a reply to Bevin, Acting Secretary Acheson states that (a) the terms of the Greece-Turkey Bill in Congress will probably prevent dollar payment for such purposes; (b) "the amount would be too trifling to warrant the serious embarrassment . . . which such picayune haggling would cause;" and (c) there is no apparent reason why the Greek Government should not provide food and quarters for the British Mission. Acheson adds that he is asking US Ambassador Douglas in London to attempt to persuade the UK Treasury (which he considers the source of the proposal) to withdraw the provision for dollar payment.

2. Gromyko advances Branting for Governor of Trieste--US Delegate Austin reports that Gromyko has proposed to Deputy Delegate Johnson the name of George Branting of Sweden as the USSR's candidate for the Governor of Trieste. Austin adds that Gromyko "seems prepared to make progress on this matter." (Branting is a left-wing member of the prominent Swedish Social Democratic Party founded by his father, who was Prime Minister during 1921-25.)

3. Soviet "concern" over TWA-Afghan agreement--US Minister Palmer reports that the Soviet Ambassador (a) has asked the Afghan Government why it has sought US (TWA) rather than Soviet assistance in developing its air service; (b) has expressed concern that the USSR was being "encircled;" and (c) has declared that the USSR viewed with concern the development of any alien interests in areas close to Soviet territory.

EUROPE

4. FRANCE: Wallace's visit "alarms" Government--US Ambassador Caffery reports that Acting Foreign Minister Tietgen has told him that the Government is "distressed" about Wallace's coming visit to France

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and is even "alarmed," in view of his speeches in England. Tietgen said that Wallace would not be officially entertained by the Government in any manner and will not be allowed to hold a press conference in any government building. Caffery understands that no Cabinet Minister will attend a private banquet being given for Wallace. The Communist President of the Foreign Affairs Committee of the Assembly has invited Wallace to address the Committee; Caffery declined to support Tietgen's offer to arrange for non-Communist members to stay away from such a meeting. Tietgen observed that "no Frenchman, not even Maurice Thorez (Secretary General of the Communist Party) would dare to attack the French Government in the US as Wallace has attacked your Government in England."

5. PORTUGAL: Shipyard strike leads to "grave" situation--The US Military Attache Lisbon reported on 11 April that, according to "experienced observers," a shipyard strike had created the "most tense situation" in five years. The MA reported on 12 April that the arrest of "several hundred strikers" had somewhat eased the situation but that unrest reportedly continued in the provinces. A representative of the War Ministry has informed the Attache that the Army was involved to an "uncertain" extent (two Army officers were arrested) and there was "some sabotage," including incapacitation of all airplanes at Sintra Airfield.

Salazar may be "embarrassed" by Don Juan--Embassy Lisbon reports that "official circles" are showing signs of "mild annoyance" at the Spanish Pretender's manifesto issued in rejoinder to Franco's law of succession. The Embassy believes that the Government fears it may face an awkward dilemma if Franco suddenly requests that the Pretender cease political activities from a neighboring friendly territory; such a move would greatly embarrass the Salazar regime, which seeks to please those countries interested in an orderly restoration in Spain, while covertly giving full support to Franco.

6. AUSTRIA: Soviets unusually friendly to Figl--US Legation Vienna reports that Soviet Deputy Commander Zheltov has made some unusually friendly gestures toward Chancellor Figl, including: withdrawal of demands for the appointment of nine Communists to key positions in the Vienna police force, personal gifts, suggestions that Figl attend the Moscow Conference, and an offer to expedite his journey and to accompany him should he decide to make the trip. Another gesture of a similar

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nature was the release in good health of Senator Josef Mayer, who was arrested on 23 March in violation of his parliamentary immunity (see Daily Summary of 3 April, item 5).

7. ITALY: US troop withdrawal considered dangerous--US Deputy Political Adviser Allied Force Headquarters, with concurrence of Ambassador Dunn, has expressed the belief that any substantial reduction of US forces would make it difficult to assure maintenance of law and order up to the Morgan Line until the Peace Treaty becomes fully effective. If Yugoslavia fails to ratify the Treaty, and US Forces in Italy are reduced by 30 June to merely 5,000 troops in Trieste, the Deputy Adviser believes that it would be virtually impossible to maintain the status quo in Venezia Giulia. The Deputy Adviser also declares that a "most unfortunate impression" would be created in Italy and abroad, if "at this juncture we leave the British holding the bag."

Views on US financial aid--US Ambassador Dunn reports that Foreign Ministry officials, in an informal talk with a member of the Embassy, indicated that -- on the basis of proposed US financial aid to stabilize Austria, Greece, and Turkey -- a US loan of \$800,000,000 would be required to obtain similar stability for Italy. Dunn believes that the Italian Government, faced with a grave financial crisis, will take every opportunity during the next few months to point out the similarity of Italian, Greek, and Turkish problems.

8. USSR: US Embassy favors reply in kind to Soviet attacks--US Embassy Moscow characterizes the Soviet proposal for UN supervision of US aid to Greece as "a particular piece of effrontery," and points out that -- if US aid to Greece and Turkey is to be thus supervised -- Soviet loans, military assistance, etc., to Eastern Europe should be subjected to similar UN control. The Embassy feels that the "best way to deal with Soviet sophistry and sabotage of this sort is to counterattack rather than to remain on the defensive with appeals to reason and logic."
9. POLAND: US Embassy advises against food relief--US Charge Keith, in a comment on the Polish Government's assertion that, without food imports the food situation will become serious, reports that opinions of "most reliable sources" confirm his belief that "there will be no starvation here this year." Keith emphasizes that US food relief to Poland (a) is not needed to prevent serious malnutrition or starvation, but would

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"alleviate distress which can be endured;" (b) would discourage the Polish people by "our readiness to assist" the unpopular Polish Government; and (c) would, in effect, increase Poland's economic contributions to the USSR. Keith recommends that, if the US aids Poland for humanitarian reasons, such aid should be (a) given through the American Red Cross; (b) confined to 10 million dollars worth of food and medicine; and (c) delivered within four months, subject to curtailment or discontinuance at any time if US conditions are not satisfactorily met.

10. **RUMANIA:** Instructions to diplomatic representatives--US Representative Berry reports that the Rumanian Government has instructed Ministers recently appointed to posts abroad that: (a) they should keep in close touch with their Soviet colleagues for "supplementary instructions;" (b) their sole job is to act as propagandists for the Groza regime; and (c) the Rumanian Government is "completely uninterested" in analyses of political and social conditions in the countries to which they are accredited.

NEAR EAST-AFRICA

11. **GREECE:** MacVeagh urges impartiality--US Ambassador MacVeagh has sent a personal message to Prime Minister Maximos pointing out that favorable US action on President Truman's proposal for aid to Greece is being imperiled by continuing reports that the Greek Government is tolerating rightist excesses and applying security measures to non-subversive political opponents. MacVeagh urgently recommends that the Greek Government demonstrate its "political tolerance and broad national character" by acting with equal vigilance and severity against all lawlessness on the part of either the Right or the Left.

FAR EAST

12. **CHINA:** Formal request for US financial aid contemplated--The Chinese Foreign Minister has informed Minister-Counsellor Butterworth that the Central Government intends to make a formal request for US financial assistance about the time it makes an announcement regarding governmental reorganization. (The Foreign Minister indicated that this announcement would be made "in a few days.") Butterworth believes that the Foreign

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Minister was not personally disposed to raise the issue of financial aid at this time, but was being "pressed for action."

Ambassador Stuart feels that it would not be difficult to induce the Chinese to postpone their formal request for aid, but also believes that a "judiciously timed" and moderate EximBank cotton loan would be of "considerable short-run psychological value." Stuart adds that there has been no basic change in China's unfavorable economic situation; although the Government's foreign exchange position has temporarily improved, the fiscal situation continues to deteriorate under the burden of military expenditures, and the pressure on prices is accordingly increasing.

Soviet reply on Dairen unsatisfactory--The Chinese Foreign Minister has also told Butterworth that the USSR, in a "vague and equivocal" reply to a recent Chinese note, disclaimed any responsibility for the delay in reestablishing Chinese administrative control in Dairen and Port Arthur. The USSR reiterated its stand that no Chinese Nationalist troops could enter the area "until the state of war had been terminated by a treaty of peace with Japan." Pending a formal reply to the Soviet note, the Foreign Minister said he had orally informed the Soviet Ambassador Nanking that the Soviet stand was inadmissible and that the Chinese Government, while prepared fully to observe the Sino-Soviet treaty provisions, could not accept "ill-founded interpretations arrived at unilaterally." He also told the Soviet official that "it lay with the Soviet Government as to whether . . . it would augment or diminish the friendly character" of Sino-Soviet relations.

13. JAPAN: Acheson's comments on Soviet protest--In reply to a State Department inquiry concerning Premier Yoshida's alleged anti-Soviet remark (see Daily Summary of 11 April, item 6), US Political Adviser Acheson has declared that the alleged remark was reported by only one correspondent who has been noted for his unreliability in the past. The remark has not appeared in the Japanese press, as SCAP effectively prohibits all criticism of the Allied Nations by the Japanese press. Acheson suggests that the Soviet complaint be taken as the occasion to protest the dissemination of anti-US propaganda by Japanese-language newspapers imported from Soviet areas, and by the daily broadcasts beamed to Japan from Siberia.

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14. **KOREA: Proposed administrative reorganization--Acting Secretary Acheson has informed Secretary Marshall that the State and War Departments have now agreed on a program of financial aid and administrative reorganization for the US zone in Korea. Contemplated action includes (a) a request for Congressional authorization for expenditures not to exceed 540 million dollars for the next three fiscal years to be followed by a request for a 215 million dollar appropriation for the fiscal year 1948; (b) termination of General MacArthur's political -- but not military -- responsibilities in Korea; (c) gradual replacement of military personnel in Military Government by civilians; (d) election of a new legislative assembly based on a broader suffrage, and the establishment of a Korean provisional government with substantial autonomy in domestic affairs; and (e) appointment of a Political Adviser of ambassadorial rank who in a few months would assume the position of Civil Commissioner and have over-all direction of civil affairs, while the Commanding General of the US Forces in Korea would retain only strictly military responsibilities.**

Acheson adds that Secretary Patterson's approval of the assumption of responsibility by a Civil Commissioner is contingent upon Secretary Marshall's willingness to have this Commissioner report directly to and come under the State Department's direction.

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GENERAL

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1. Reactions to Wallace in UK--US Ambassador Douglas considers that Henry Wallace has (a) confused the thinking in the UK; (b) given support to present (left-wing) criticism of US policy; and (c) converted some people, "probably temporarily," to be critical of US foreign policy. Douglas believes that, although a Washington statement would "unduly dignify Wallace's utterances and might inspire him to go even further" in France and the Scandinavian countries, it would be advisable in Douglas' forthcoming Pilgrim's speech (traditionally the first public address of a new Ambassador to the UK) to answer in general terms but not specifically some of Wallace's "misrepresentations."

The UK Minister of State, Hector McNeil, considers that Wallace has not had a profound effect in Britain and that his influence will soon begin to wane. Conservative, Liberal, and independent UK press comment has been mostly critical, according to US Embassy London, while the Left or Labor press has contained "almost no counter-balancing praise" (although it has played Wallace heavily in the news columns).

2. UK Missions in Greece--The UK Minister of State has agreed, according to US Embassy London, to "use his influence to persuade" the UK Treasury to withdraw its proposal (that the Greek Government pay in dollars for the maintenance of the British Military Mission in Greece) and to attempt to arrange that the Greeks and the British, respectively, assume the drachma and sterling costs of the Mission (see Daily Summary of 14 April, item 1).

The Minister has recommended that the US take advantage of the experience of the British Economic Mission in Greece in order to "prevent the many tricks" which the Greek administration employs to "divert and to frustrate the proper use of funds."

3. Soviet candidate for Trieste Governorship unacceptable to US--The State Department has informed the US delegation to the UN Security Council that George Branting, whom the USSR proposed as Governor of Trieste, is unacceptable to the US as the evidence shows him to be a fellow traveller (see Daily Summary of 14 April, item 2).

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EUROPE

4. USSR: Soviet strategy relies on US economic crisis--Embassy Moscow reports that Stalin, in his recent conversation with Stassen, inquired on at least three occasions concerning economic conditions and the possibility of a depression in the US. The Embassy comments that this curiosity, coupled with the repeated Soviet press predictions of a US crisis, apparently reveals a "fundamental basis of present Soviet policy and tactics regarding Germany, Austria, Korea, and other friction points." The Kremlin evidently believes, the Embassy adds, that by tactics of delay and obstruction the USSR can force such extensive US expenditures in support of weak economic systems that eventually the US public, faced with a severe depression, will insist on the withdrawal of US economic aid and the curtailment of US military expenditures.

5. FRANCE: Reassignment of troops in Colonies--The US Military Attache Paris reports that indications point toward a general reassignment of troops throughout the French Union in order to bolster troop strength in such danger spots as Indochina, Algeria, Morocco, and Madagascar.
(CIG Comment: In the light of its current military strength and internal political and economic condition, France is hardly in a position to bolster its forces effectively in a number of colonial areas at the same time.)

6. GERMANY: Communists increase in trade unions--US Acting Political Adviser Heath reports that the Communists have made "further progress" in their attempt to achieve control of the entire German Trade Union movement and seem to be gaining strength among the workers. Heath cites the following points in support of his opinion: (a) the Soviet-led SED party has consolidated its control over Berlin's Trade Union members; (b) Communists have obtained almost all leading positions in the French Zone unions; (c) Communists now control 40% of the British Zone miners' union; (d) metal workers unions throughout Germany are for all practical purposes under Communist control; and (e) penetration of the US Zone unions has been substantial.

7. GREECE: Difficulty of controlling retaliation against leftists--Prime Minister Maximos has informed US Embassy Athens that excesses by Greek leftists make it difficult to control rightist retaliation (see Daily

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Summary of 14 April, item 11), but adds that he has ordered all security agencies "to proceed with equal vigilance and severity against all lawlessness whether of the right or left."

NEAR EAST-AFRICA

8. SYRIA: Hatay question will not be raised in UN at present--The Syrian Prime Minister has informed US Charge Moose that Syria realizes the gravity of the situation facing Turkey and "for that reason only" will refrain from raising the Hatay question in the UN at this time. The Prime Minister added, however, that such forbearance should not be misconstrued as "Syria is not abating its claims and will present them at the proper moment."

Support for US policy on Turkey and Greece in SC--US Charge Moose also reports that the Syrian member of the Security Council has been instructed to support the US on Greece and Turkey and to follow US and UK policy vis-a-vis the Soviet Union in all matters not directly affecting the Arab states.

9. INDIA: Politicians expected to blame UK for their failure to agree--US Charge Merrell reports that the tendency of the London press to view the Indian situation with "increasing optimism" does not accord with the Embassy's information that nothing new or encouraging has resulted from the Viceroy's talks with Indian politicians. Merrell believes that the latter are preparing once more to place the blame on the UK for their own failure to agree. He adds that this tendency is evident in recent public utterances by Gandhi and Jinnah.

FAR EAST

10. CHINA: Government unable to carry out widespread relief program--US Ambassador Stuart believes that the Chinese Government is requesting post-UNRRA relief funds from the US primarily to conserve its own foreign exchange reserves, and that there is no assurance that the Government can carry out "a program of direct relief where it is really needed." Stuart adds, however, that China obviously needs to continue to import food, and he would therefore favor allocation of post-UNRRA relief funds to that country.

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EUROPE

1. FRANCE: Lack of US military support feared--US Ambassador Caffery has been told by Acting Foreign Minister Teitgen that Premier Ramadier has cited the belief of French military authorities that the US, in the event of war with the USSR, would not attempt in the early days to prevent an occupation of France by Soviet forces. On the subject of Socialist "appeasement" of the Communists, Teitgen attempted to defend the non-Communist French attitude by saying to Caffery, "If we were only sure that we could count on your early and effective aid, our whole point of view would be changed." Caffery adds that in his opinion Teitgen's remarks "reveal a certain state of mind in Western Europe."

Bidault "disillusioned" concerning USSR--Caffery also has been told by Teitgen that Bidault is "completely disillusioned" about the possibilities of "doing business" with the USSR "in any field," but he will keep on trying. Teitgen also stated that Bidault had sent "enthusiastic" reports in regard to Secretary Marshall's attitude at Moscow on the Saar.

2. BELGIUM: USSR claims Baltic DP miners as Soviet citizens--US Embassy Brussels has been told by a Foreign Office official that the Soviet Embassy has delivered a "very strong note" to the Belgian Foreign Office which states that the USSR considers the Baltic DP miners now arriving in Belgium (from the US Zone Germany) as "Soviet citizens," and will demand their repatriation in accordance with the Soviet-Belgian repatriation agreement. The official stated that his Government would not permit forced repatriation but that, before replying to the Soviet note, Foreign Minister Spaak would officially request the opinion of the US and UK Ambassadors.

3. ITALY: Covert Communist opposition reported--A "reliable ranking official" has told US Embassy Rome in confidence that Communist Cabinet Minister Sereni has privately admitted that the Communist Party is opposed to post-UNRRA aid to Italy from the US because such aid would create friendship and strengthen the ties between the two countries. Communist leader Togliatti, according to the same source, prefers that the Party "exert no outright opposition" to US aid, as such action might "encourage the US to give even more relief."

(CIG Comment: It is very unlikely that a Communist Minister would make any such admission to a Christian Democrat Minister.

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Moreover, there are indications that the Christian Democrats are encouraging reports of Communist anti-US activities in order to accelerate concrete application of the Truman Doctrine to Italy. It is, therefore, possible that the above report is a plant designed to stimulate US aid to Italy.

4. CZECHOSLOVAKIA: Communist conciliation toward Moderates--US Embassy Prague reports that the Communists and National Socialists (President Benes' middle-of-the-road party) are seeking a temporary rapprochement. According to the Embassy, the National Socialist press has been advised to "take it easy for a while on the Communist Party" and Communist leaders have been "extremely conciliatory" toward the National Socialists. The Embassy adds that the Communists, "recently isolated and under strong attack," are interested in neutralizing some of the opposition and in frightening the Social Democrats into abandoning their recent anti-Communist attacks.

(CIG Comment: The three parties mentioned are campaigning bitterly for trade union support. The Communist Party, having more to fear from the Social Democrats, is probably attempting to play its opponents off against each other in the hope of retaining the Party's position as the largest single political element in the trade union movement. These Communist tactics also tend to discount the possibility of an imminent Communist coup; see Daily Summary of 11 April, item 1.)

5. PORTUGAL: Return to "normal" after unrest--US Military Attache Lisbon reports that the situation "in Lisbon and probably all of Portugal" has returned to "normal" after the recent unrest (see Daily Summary of 14 April, item 5).

NEAR EAST-AFRICA

6. ETHIOPIA: Coup d'etat reported imminent--US Military Attache Cairo transmits information from an "unquestionable source," which the MA evaluates as "probably true," that an Ethiopian coup is imminent, involving assassination of the Emperor and the enthronement of the Crown Prince. The MA adds that there are reports indicating British complicity in the plot.

(CIG Comment: Although a coup d'etat is always possible in Ethiopia, CIG doubts that the British are involved in such a plot.)

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7. IRAN: Deterioration of situation in Fars Province--US Ambassador Allen reports that the Qashqais (powerful anti-Soviet tribe in Southern Iran) have accused the Shah and the Iranian Army of interfering in the elections in Fars Province. Allen adds that Premier Qavam, who is supporting the Qashqais at present as a counterbalance to the Army, reportedly is planning to replace the present Governor General of Fars with a pro-Qashqai official.

Leading Qashqai chieftains have informed the US Embassy that (a) they will still try through parliamentary means to obtain protection against the Army; (b) if forced to fight, the Qashqais in coalition with other tribes will attempt to break the power of the Army and overthrow the present dynasty, if necessary; and (c) the Qashqai bloc in parliament will be forced, as a matter of self-protection, to oppose strenuously approval of the US credit for military supplies.

Firuz urges discontinuance of "pro-US policy"--Allen has been informed by "a high Iranian authority" that Muzaffar Firuz (the pro-Soviet Iranian Ambassador in Moscow) has recommended to Qavam that Iran discontinue its "pro-American policy." According to Allen, Firuz probably assured the Soviet authorities before he went to Moscow that he would obtain the removal of US military missions and advisers from Iran, and "is evidently still working at it."

8. EGYPT: Premier opposes proposed solution to deadlock with UK--US Embassy Cairo has been unofficially informed that Premier Nokrashy Pasha will not consider the recent proposals for breaking the Anglo-Egyptian deadlock (see Daily Summary of 11 April, item 5). The Embassy's informant has also seen the draft text of the appeal which Egypt is preparing for the Security Council, and comments that Nokrashy is "asking for the moon." The Premier reportedly is "greatly embittered" by Bevin's reference to the Nokrashy Cabinet as a minority government, and is convinced that the British Embassy is working for his removal.

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GENERAL

1. US concern over Greek delay in implementing economic program--The State Department has informed US Embassy Athens of its concern over the Greek Government's apparent lack of progress in carrying out the proposals of the Porter Economic Mission "to minimize the possibility of economic deterioration pending implementation of the US aid program." The Department, accordingly, has instructed the Embassy to inform Prime Minister Maximos that (a) the bill now before Congress authorizing \$350,000,000 for relief to various countries, including Greece, provides that relief shall not be given to any country which fails to take the economic measures necessary to reduce relief needs and provide for its own reconstruction; and (b) economic deterioration resulting from failure to act may seriously diminish the effectiveness of whatever US aid becomes available.
2. US suggestions for continuance of Iranian Airways--The State Department has sent detailed suggestions to the Foreign Liquidation Commission's representative in Cairo for aiding the rehabilitation of Iranian Airways. The Department states that its policy is to do "everything possible" to insure the continuance of operations by Iranian Airways with US technical and operating assistance.
3. US opposed to Soviet proposal on UN supervision in Greece--The State Department has informed UN Delegate Austin that: (a) it is essential to defeat the Soviet proposal for UN supervision of US aid to Greece; (b) it is equally essential that the US should not exercise veto in this matter, but instead should abstain from voting; and (c) the US should be certain, prior to the vote in the Security Council, that the Soviet proposal will not receive seven votes (with the US abstaining). Austin estimates that the Soviet proposal would receive only two supporting votes in the Security Council.

In Austin's opinion, the US proposal that an SC investigating team be left along the Greek border is favored by all SC members except Poland and the USSR.

EUROPE

4. USSR: Soviet de facto censorship of CFM news--The Moscow correspondent of the Associated Press has reported to Embassy Moscow that,

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despite Soviet assurances that news copy designated as conference material would not be scrutinized, the Soviet censor has assumed the function of reviewing news stories filed by US correspondents and of deciding what is and what is not CFM copy. The correspondent reports that his attempt to report this procedure, which apparently was instituted on 15 April, was censored in its entirety.

5. HUNGARY: New political crisis forecast--President Tildy has told US Minister Schoenfeld that he expects the Communists "to find some pretext" to create a new political crisis within the next month or two. Tildy believes that Hungary's position, as the only Eastern European country not "fully coordinated to the Soviet pattern," has intensified the USSR's determination to achieve its goal in that country. Tildy added that the recent US notes had thwarted Communist plans for general elections this spring.

Premier Nagy, in an earlier conversation with Schoenfeld, had stated that the recent, clearer definition of "great power interests" had strengthened the will of the Moderates not to surrender to the Communists. Nagy added that, if the peace treaty is ratified soon and Hungary admitted to the UN at the earliest possible opportunity, Hungary would remain "a factor which could be counted upon in every respect."

6. FRANCE: Communists may continue policy of "moderation"--A high official of the Ministry of the Interior has expressed to US Ambassador Caffery the opinions that: (a) the political parties which De Gaulle is trying to destroy will be successful in opposing his efforts; (b) De Gaulle's recent political activity tends to bolster the Communist position, because it serves to divide anti-Communist elements; (c) the Communists will continue to pursue their present policy of "moderation" because they cannot openly oppose the Government (which is essentially Socialist) without alienating the Socialists and risking the formation of an anti-Communist bloc behind De Gaulle; and (d) by continuing their present policy and by appearing to act within accepted constitutional practice, the Communist Party can pose as "the defender of democratic and republic institutions" and can continue to call for "a union of all republican forces to save the republic."

7. AUSTRIA: Drop in coal imports reported critical--According to US Legation Vienna, the Austrian Commerce Minister believes that a new

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industrial crisis will result from current decreases in coal imports. The Commerce Minister urges that his Government seek a special six-months' credit of 6-9 million dollars "from whatever source obtainable" to finance the import of Polish coal.

FAR EAST

8. FRENCH INDOCHINA: Evidence of weakening Vietnam resistance-- US Consul Hanoi reports that a speech by Vietnam War Minister Giap, as intercepted by the French monitoring service, (a) indicates some deterioration in Vietnam morale and a munitions shortage, and (b) provides "conclusive evidence" that the Vietnam Government can no longer enforce evacuation of territory before the French advance.

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GENERAL

1. Iranian Airways and TWA reach "supplemental agreement"--US Civil Air Attache Curren reports from Tehran that a "supplemental agreement" has been reached by Iranian Airways and TWA. Curren believes that Iranian Airways will fail under present management within a few months, but that another group will be willing to reorganize the company "on a strong . . . basis" with TWA assistance.

EUROPE

2. FRANCE: Official help in arrangements for Wallace's visit refused--US Ambassador Caffery reports that fellow traveller Pierre Cot (Air Minister in 1939) has informed him that the Government has refused cooperation "all along the line" in regard to the preparations Cot is making for Wallace's visit.

Guerrilla forces in Madagascar still uncontrolled--US Military Attache Paris reports that the situation in Madagascar now appears "more serious"; French military forces reportedly are having trouble controlling guerrillas in the southwest as well as in the north, and have not yet cleaned out other guerrilla forces "scattered over the whole island."

NEAR EAST-AFRICA

3. INDIA: Increased trouble in North West Frontier Province--The Viceroy has confidentially informed US Charge Merrell that the North West Frontier Province has "blown up" as the result of communal trouble worse than that recently prevailing in the Punjab. The Viceroy added that news of the seriousness of the situation is being suppressed, and that he has arranged to hold a conference immediately with his civil and military advisers. Merrell comments that Moslem League civil disobedience movements have thus created serious disruption in two "Pakistan" provinces and threaten to produce similar troubles in Assam. (Non-Moslem League governments are in power in the North West Frontier Province and in Assam. The Non-League Punjab Government recently resigned because of local disorders instigated by the League.)

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GENERAL

1. Austin recommends diplomatic privileges for UN delegations-- UN Delegate Austin recommends that "serious consideration" be given to granting to UN resident delegations immunities and privileges substantially equivalent to those now accorded to accredited diplomatic missions in Washington. He states that permanent UN delegations attach more importance to this matter than to many substantive issues. He adds that, in return for such a concession, the US may find it easier to achieve the deportation of undesirable employees of the Secretariat.

EUROPE

2. USSR: Soviet troop movements in Bulgaria--US Delegate ACC Sofia reports evidence that Soviet forces are concentrating in southeastern Bulgaria.

(CIG Comment: These movements are believed to foreshadow early large-scale maneuvers along the Turkish and Greek frontiers; see Weekly Summary of 18 April, page 7)

3. FRANCE: Possible Cabinet crisis over Madagascar problem--A high Interior Ministry official has told US Ambassador Caffery of his belief that the Communists, prior to the Madagascar revolt, urged the Malgache (Madagascar) deputies in the French National Assembly "to resort to illegal insurrectionary action." Caffery's informant commented that when the Malgache deputies were arrested a few days ago, the Communist Cabinet Ministers did not protest, "pending instructions from Moscow;" when they received orders to attack the Government's stand openly, they loyally obeyed, even though they knew it would "hurt them with the French public." Caffery adds that the Madagascar problem has become an issue which could lead to the fall of the Ramadier Government.

Negotiations regarding Indochina--US Ambassador Caffery has been told by a high Foreign Office official that the French have not yet discovered elements in Indochina with which they can negotiate. Caffery's informant added that the Government has definitely accepted the Foreign Office view that the Indochinese Federation should have no political functions, and that even the name of "Indochinese Federation" should no longer be used.

(CIG Comment: The abandonment of French insistence upon the Indochinese Federation should improve the prospects for successful

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Franco-Vietnam negotiations. Vietnam has insisted upon direct participation in the French Union without prior participation in the Indochinese Federation.)

NEAR EAST-AFRICA

4. IRAN: Barzani troubles reportedly liquidated--The Iranian Chief of Staff has informed US Ambassador Allen that the Barzani troubles have been "completely liquidated" with the passage over the Iraqi border of 2,000 to 3,000 Barzani riflemen, together with their families and a number of renegade Iranian Kurds.
5. INDIA: Evidence of apprehension in Congress Party --US Charge Merrell reports that current apprehension in Congress circles is indicated by the note of "humility" evident in a recent speech by Patel, a Congress Party leader. Patel reportedly praised the British offer of independence, condemned Indian behavior, and confessed that unless Congress-League difficulties are amicably settled, India might not be ready to receive power from the UK in 1948. He also mentioned the possibility of submitting the Congress-League issue to a "third free power." Merrell adds, however, that there was little in Patel's speech calculated to win the confidence of the Moslem League.

FAR EAST

6. CHINA: Soviet military aid to Chinese Communists doubted--Despite persistent rumors that the USSR is sending military supplies from North Korea to the Chinese Communists in Manchuria, US Consul General Mukden believes that "such commerce has been more in the nature of ordinary trade than of military aid." US Embassy Nanking, likewise, has thus far received "no dependable evidence of physical Soviet assistance of a military character" to Chinese Communist forces.

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GENERAL

1. Icelandic Communists threatening present Government--According to US Legation Reykjavik, Iceland's protracted trade negotiations in London and Moscow have resulted in a tentative agreement with the UK under which the UK would purchase almost half of Iceland's estimated production of frozen fillets and herring oil. When the USSR learned of this agreement, it offered to buy most of the remaining fillets and an unspecified quantity of herring oil, at lower prices than the British offered, but refused to implement its previous offer to purchase wet salted fish.

US Minister Trimble considers that (a) the USSR has been "stalling" in its negotiations with Iceland in order to foster economic deterioration that would result in the formation of a new Icelandic Government with Communist participation; (b) the foregoing offer merely reflected a fear that the British would acquire herring oil which the USSR apparently needs; and (c) the offer did not represent an abandonment of the USSR's stalling tactics.

Trimble proposes that the US buy Iceland's wet salted fish (which neither the UK nor the USSR will take) to bolster the present Icelandic Government.

EUROPE

2. FRANCE: Bidault reported making overtures to De Gaulle--US Ambassador Caffery reports that, according to a "trustworthy source," Bidault in a recent personal letter to Acting Foreign Minister Teitgen made it clear that he desired to maintain friendly relations with General de Gaulle and hoped to see him upon his return from Moscow. Caffery adds that political circles are talking of the possibility that Premier Ramadier will resign after the Moscow Conference and that Bidault will be requested to form a new cabinet, possibly without the Communists.

Possible Government crisis about 1 May--US Military Attache Paris cites three issues that might precipitate a crisis in the Government about 1 May: (a) results of the Moscow Conference; (b) failure of the Monnet Plan; and (c) dissension on colonial policy.

Bidault does not intend to sign treaty with Poles--US Ambassador Caffery has been informed by "French authorities" that the Poles have been pressing Bidault to sign a treaty of alliance with Poland similar to the French-Soviet Treaty; but Bidault has "no intention of doing so."

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May weaken home forces for strength overseas--The US Military Attache Paris reports that the French may "well be forced" (by budgetary and political considerations which limit the size of the Army) to weaken metropolitan France and occupation forces in order to bolster colonial garrisons.

Air agreement with Poland sought--US Embassy Warsaw reports that the French Government has instructed its Embassy to approach the Polish Government for an agreement to permit Air France to schedule regular air service into Warsaw. The French Embassy believes that, if this permission is not granted, France may cancel the present informal arrangement by which the Polish Airline LOT makes commercial flights to Paris.

3. BELGIUM: Spaak believes De Gaulle's timing "most unfortunate"-- Prime Minister Spaak has told US Ambassador Kirk that in his opinion the timing of De Gaulle's emergence into politics is "most unfortunate," as non-Communist and anti-Gaullist forces will tend to gather round the Communist pole, whereas, if De Gaulle had waited "until the situation became more acute," these forces would have rallied to De Gaulle.
4. YUGOSLAVIA: Obstacles to US-Yugoslav economic relations--US Charge Cabot, commenting on Yugoslav Vice Premier Kardelj's recent plea to Secretary Marshall for improved US-Yugoslav economic relations, states that he sees "no reason why the US should help Yugoslavia to fulfill its needs until good progress has been made toward clearing up our specific grievances." Cabot points out that obstacles to US trade with Yugoslavia include, "the absurd exchange rate, the bilateral and discriminatory Yugoslav trade agreements, and the government red tape and secretiveness."

NEAR EAST-AFRICA

5. ETHIOPIA: Possibility of coup d'etat discounted--US Minister Cole believes that the report of an imminent coup d'etat in Ethiopia is "greatly exaggerated" (see Daily Summary of 16 April, item 6). Cole adds that while much discontent exists against the Emperor and his clique, he has heard of no plot and does not believe that discontent has reached "any such pitch."

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6. **INDIA: Nehru speech expected to antagonize Princes--US Charge Merrell reports that Nehru, in a recent speech, reportedly said that any Princely State not entering the Constituent Assembly would be treated as "a hostile state of the country." Merrell feels that Nehru's statement will: (a) widen the breach between the Congress Party and those Princely States which have not yet decided to join the Assembly; and (b) tend to nullify "any possible effect" of Patel's recent assurance that the Princes need not fear the Congress Party because it has "no desire to destroy dynasties or their rule."**

FAR EAST

7. **CHINA: Government reorganization shows some promise--US Ambassador Stuart notes some encouraging signs in the latest steps taken to reorganize China's Central Government. In the appointment of Kuomintang members to the new State Council (scheduled to be the highest policy-making body of the Government), Stuart considers as "promising" the notable exclusion of right-wing CC Clique adherents and the predominance of Political Science representatives and other relatively liberal KMT members. Whether the State Council will really assert itself in carrying out reorganization of the Executive Yuan (the administrative "Cabinet" of the Government) and in promoting social and economic reform depends on many complicating factors, Stuart believes, one of the most important of which is Chiang Kai-shek's own attitude and "his ability to control the KMT as the still dominant party in China." Within the Kuomintang, Stuart reports, the CC Clique's control has increased with the formation of a new, CC-dominated Political Committee, and Chiang can be expected to make concessions to this clique as governmental reorganization proceeds.**

THE AMERICAS

8. **PARAGUAY: Uruguay may break diplomatic relations--US Embassy Asuncion has been told by the Uruguayan Charge that relations between his Government and Paraguay are deteriorating and that his Government may break relations with Paraguay (a step that could shut off most of Paraguay's gasoline supplies).**

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9. COLOMBIA: Argentina offers economic aid--US Ambassador Wiley has been told by President Ospina that the Argentine Government (a) is becoming extremely active in Colombian economic matters; (b) has offered to sell Colombia 14,000 tons of wheat; (c) is seeking to invest capital in Colombian banks; and (d) has hinted that it is willing to extend "generous commercial credits of all kinds."

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EUROPE

1. USSR: ALUSNA Moscow comments on Soviet intransigence at CFM-- According to US Naval Attache Moscow, the USSR's failure to make concessions at the CFM indicates: (a) that conditions within the USSR are better than generally supposed; (b) a Kremlin belief that realization of its long-range objectives will be facilitated by "congenital American inability to cope with the peculiar type of Communist penetration" abroad and by an early US depression; and (c) that the USSR anticipates a successful solution of its atomic effort.
2. FRANCE: Monick sees no economic crisis this year--Emanuel Monick, Governor of the Bank of France, has told US Ambassador Caffery of his belief that: (a) De Gaulle will not return to power; and (b) there will "very definitely" not be an economic crisis in France this year. However, Monick expressed himself as "pleased" with De Gaulle's re-entry into politics, because Monick believes that De Gaulle's move is forcing the Government, in self-defense, to "do something about prices and the budget."

According to Monick, the Communists must soon leave the Government. He believes, however, that it would be a mistake to break with the Communists on an economic issue; the break should be made instead on the question of the French Union. "The French Communists," Monick noted, "are extremely depressed over being forced by Moscow to support movements in Indochina, Madagascar, and North Africa designed to break up the French Empire, because they know that their attitude on that subject is losing them votes every day."

FAR EAST

3. CHINA: Means of continuing KMT control of Government reported--US Embassy Nanking has received a "reliable report" that the new Political Committee of the Kuomintang Party, headed by the right-wing Chen Li-fu, "shall have authority to issue binding instructions to all KMT members of the Government."

(CIG Comment: Such authority would permit continued domination of the Government by the KMT, despite published announcements that the National Government Organic Law is being revised to eliminate statutory

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control by the KMT's Central Executive Committee over the President of the National Government (Chiang Kai-shek) and, through the latter, over the Presidents of the five governmental Yuans.)

THE AMERICAS

4. COLOMBIA: Argentina offers military scholarships--The Colombian Minister of War has informed US Ambassador Wiley that he is "apprehensive" about an Argentine offer of an unlimited number of military scholarships for Colombian officers with all expenses included. The Minister observed that officer training in US Army schools involves dollar expenditures and places considerable strain on the Colombian military budget. Wiley comments that training of the officers (who average 25 years of age) by Argentina would result in their indoctrination with Argentine ideas.

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EUROPE

1. PORTUGAL: Franco requests expulsion of Don Juan--US Charge Lisbon reports that the Spanish Government has requested the expulsion from Portugal of the Pretender, Don Juan, and his political entourage, but that the Portuguese Government will not comply with the request. The Charge adds, however, that when the Foreign Office gave this information to Don Juan, it told the Pretender that his Monarchist activities "must be curtailed" and certain of his political advisers should "take up residence outside of Lisbon and Estoril."

(CIG Comment: While overtly refusing Franco's request for Don Juan's expulsion, the Portuguese Government will actually serve Franco's purpose in cutting down the Pretender's political activity. The separation of the Pretender from his political advisers will break up his organization and diminish the influence of Gil Robles, the leading Catholic rightist politician in Spain prior to the Civil War, and of Sainz Rodriguez, a former member of Franco's cabinet who fled Spain to escape arrest for Monarchist activities. These men are the political brains of the Monarchist opposition to Franco.)

FAR EAST

2. CHINA: Chinese press unanimously approves Wallace mission--US Embassy Nanking, in a summary of Chinese press reports for the week ending 12 April, notes that (a) Chinese editorial comment showed an "extraordinary unanimity of approval for the stand Wallace had taken"; and (b) while it was obvious that liberal and left-wing papers would endorse Wallace's opposition to current US policy, it was surprising that Kuomintang-controlled papers gave their approval. The Embassy adds that the KMT's right-wing CC Clique, in one of its papers, termed Wallace the "100% exponent of democratic government" and commended his efforts to avert the threat of a new war.

(CIG Comment: CC Clique endorsement of Wallace's stand is in marked contrast to the Clique's traditional hatred of Chinese Communists, and to its recent violent attacks on China's own Central Government for the latter's "weak-kneed policy of appeasement" toward the USSR. Kuomintang endorsement of Wallace may stem from a belief that the Truman Doctrine implies that the US will concentrate its efforts in those areas where Soviet aggression is most evident, thereby reducing

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the likelihood of renewed aid to China. Even the KMT's extreme rightists, therefore, might logically, though short-sightedly, endorse any program advocating that the US abandon the Truman Doctrine.)

New Premier voices need for US assistance--General Chang Chun, newly-appointed President of China's Executive Yuan, has expressed to the US Minister-Counselor in Nanking his conviction that China must have US assistance. Chang described China as "a sick man who needs a blood transfusion," and made it clear that "the transfusion had to come from the US." Chang admitted that civil conflict was at the root of China's troubles and indicated his preference for a peacefully-negotiated settlement, but added that such a settlement was "for the moment out of the question." Chang believes that all that could be hoped for now was "speedy and successful military action" by Government forces, and that the next three months would determine the outcome.

Dispatch of Nationalist troops to Dairen postponed--The Chinese Foreign Minister has confidentially informed US Embassy Nanking that Nationalist troops will not be dispatched to Dairen pending a Soviet reply to the latest Chinese note (dated 16 April), even though the note itself states that the Central Government "has now decided" to dispatch about two brigades.

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EUROPE

1. ITALY: Financial breakdown threatens De Gasperi--Treasury Minister Campilli has informed US Treasury Representative Tasca in Rome that (a) the Government has "lost control over the lira" and is desperately seeking some extraordinary remedy to restore popular confidence in the lira; and (b) Italy's critical financial situation may lead the Christian Democrats (who are blamed by the other Parties for the crisis) either to go over to the opposition or "more probably" to take a minor role in a new government.

Pasquinelli case threatens US prestige--US Ambassador Dunn recommends that the US "fully weigh the political considerations" involved in the trial by the Allied Military Court of Maria Pasquinelli who has been sentenced to hang for the murder of British Brigadier de Winton. Dunn points out that capital punishment is not used in Italy and that the sentence has provoked severe criticism in the Italian press, especially the press of extreme Right and Left. Dunn believes that it is "most desirable" on political grounds that the US and UK should not be exposed to general disapproval throughout Italy by violating Italian concepts of humanity and justice.

2. FRANCE: Clayton recommends US send additional wheat--Under Secretary Clayton reports from Geneva that "grave social, economic and political consequences will almost certainly" result in France, if the US fails to assist France in its present "rather desperate position regarding grain supplies." Clayton recommends that the US Department of Agriculture be requested to renew procurement of wheat in the US, "in spite of the inflationary aspect" which had caused the Agriculture Department to discontinue such Government purchases.

Communists plan giant rally of CGT for 1 May--US Ambassador Caffery has been told by a "very anti-Communist" Socialist, who is closely associated with the French Trade Union movement, that the giant demonstration planned for 1 May by the Communist-directed CGT (General Confederation of Labor) has two objectives: (a) to intimidate anti-Communist forces and demonstrate the hostility of the working classes to any attempt by De Gaulle to overthrow the Republic; and (b) to divert the attention of the working classes from the anti-French character of the Communist stand on Colonial policy by posing as the only effective champions of the workers in their demand for increased wages and better working conditions.

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LeClerc may become Supreme French Commander in North Africa--
US Military Attache Paris has been told by a "reliable army source" that in the event of general native uprisings throughout North Africa, General LeClerc will become Supreme Commander French Armed Forces North Africa.

THE AMERICAS

3. COLOMBIA: Followers of Gaitan enter cabinet--US Ambassador Wiley reports that the reorganized Colombian Cabinet includes four Liberals who are followers of Eleazar Gaitan, rising leader of the left-wing faction of the major opposition party. Conservative President Ospina has told Wiley that he believes that these appointments will strengthen his administration vis-a-vis the legislature, in which Gaitan's sympathizers have substantial representation.

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GENERAL

NO. 009

1. British military will reportedly assume control of Palestine--A Jewish Agency official has informed US Consul General Jerusalem that the High Commissioner has told the Agency that the British military "would very soon take over complete control of Palestine."

EUROPE

2. YUGOSLAVIA: Grain relief ended for Yugoslavia--The Director General of UNRRA, on his return from Yugoslavia, has informed the State Department that, on the basis of results achieved, the UNRRA program in Yugoslavia was "one of the best." Although persons in certain areas may suffer from malnutrition, he believes that the country can subsist without relief until the next harvest. (The International Emergency Food Control Committee has informed the Yugoslav Government that it will not ship 17,500 tons of grain previously allocated to Yugoslavia because the US and Canada do not consider Yugoslavia's need "of comparable urgency with that of some other countries.")

Yugoslav corn shipped to USSR--US Military Attache Belgrade has learned from a foreign Ambassador, believed entirely reliable by the US Embassy, that Yugoslavia recently has shipped an unknown quantity of corn to the USSR and that another shipment of 26,000 tons is scheduled.

3. GREECE: Increases in Army and Gendarmerie authorized--US Charge Keeley reports that the Greek Government has authorized an increase in the total strength of the Army from 110,000 to 140,000, and of the Gendarmerie from 30,000 to 36,000. According to Keeley, the US Military Attache feels that the increases are justified for the reasons advanced by the Greeks: (a) the necessity of solving a chronic problem by relieving older age-groups in the Army; and (b) the need for a Gendarmerie capable of policing areas liberated from guerrilla control. Keeley adds, however, that the proposed increase in the Gendarmerie may represent a further effort by Minister of Public Order Zervas to form a "private army" to advance his own political aims and policies (see Daily Summary of 20 March, item 2).

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THE AMERICAS

4. **PARAGUAY:** Uruguayan President hopes US will not aid Morinigo--US Embassy Montevideo reports that President Berreta has expressed the hope that the US will not give military aid to Morinigo.

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EUROPE

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1. FRANCE: Wallace embarrasses Communists--US Ambassador Caffery reports that Wallace's visit to France has proved "embarrassing" to the Communists. Caffery notes that (a) Wallace's remarks have been extremely mild as compared to those he made in London; (b) Wallace "has not stayed strictly on the Moscow beam" and particularly embarrassed the Communists by his allusion to the absence of political democracy in the USSR; (c) the Communist newspaper HUMANITE has not quoted to an appreciable extent any speech he has made in France and has limited itself largely to describing him as Roosevelt's "right-hand man" and enumerating receptions given in his honor.

NEAR EAST-AFRICA

2. IRAN: Opposition to US credit for military supplies--US Ambassador Allen reports that the considerable agitation in the Leftist press against the proposed \$30,000,000 US credit for military supplies cannot be entirely dismissed as Soviet-inspired. Although the Shah and Qavam have expressed confidence that the Parliament will approve of the project, Allen points out that a number of Iranians feel that their country, which needs schools, health projects and roads, is too poor to spend this amount on the Army. (Opposition to the credit may also be expected from Rightist deputies representing the tribes; see Daily Summary of 16 April, item 7.)

FAR EAST

3. CHINA: Evidence of Soviet aid to Communists--US Naval Attache Nanking reports that the Soviet Ambassador recently asked the Chinese Foreign Minister for information concerning the whereabouts of five Soviet fishing boats which have failed to return to Dairen during the past few months. According to the Naval Attache, high Chinese naval and military sources have stated categorically that the missing Soviet fishing boats were carrying arms and ammunition for Chinese Communists, were captured by the Chinese Navy, and would not be returned. The NA comments that the above evidence represents the "most factual" confirmation of many rumors and reports of Soviet aid to Chinese Communists in the Shantung-Hopei coastal area.

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GENERAL

1. Turkey will conform to US and UK policies in GA special session--
General Erkin of the Turkish Foreign Office has informed US Embassy Ankara that at the special session of the UN General Assembly on Palestine the Turkish delegation will "in general" endeavor to conform to US and UK policies (see Weekly Summary of 25 April, page 2). Erkin stated that the delegation: (a) will vote against Arab demands for termination of the Palestine mandate and for independence, as these matters should be considered by the special committee to be created at this session and at the fall session of the GA; but (b) will have to vote affirmatively on the question of including an Arab representative on the committee, so as not to encourage those elements in the Arab countries which lean toward the USSR.

2. US and UK reach tentative accord on Greek labor problem--US Charge Keeley in Athens reports that British labor expert Braine has agreed to "relax pressure" on the Greek Government and trade union leaders for immediate implementation of the Braine-Tsaldaris proposal on the Greek labor situation (see Weekly Summary of 25 April, page 5). Keeley adds that the "British and ourselves" agree that there should be no evidence of a US-UK conflict of views on this problem. Keeley also states that US and UK representatives are considering a suggestion designed: (a) to meet US insistence on more democratic conditions in the Greek General Confederation of Trade Unions before elections are held; and (b) to protect Bevin from criticism by British labor circles that the UK is not attempting to solve the Greek labor problem.

3. US requests equal air rights in Hungary--The State Department, with War Department concurrence, has authorized "strong representations" to the Soviet Chairman ACC Budapest "demanding an immediate and detailed" explanation of the Chairman's apparent unilateral decision to authorize the Hungarian Government (or the Soviet-controlled Maszovlet airline) to negotiate civil air agreements. The Department also authorizes US Legation Budapest to inform the Hungarian Government that: (a) civil air transport rights granted to foreign carriers prior to the peace treaty must be on a non-discriminatory basis; and (b) the US expects as favorable treatment as that accorded to others.
(CIG Comment: The USSR apparently is urging the Hungarian Government to negotiate air agreements with other countries, while specifically denying the Government the right to negotiate with the US.)

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EUROPE

4. ITALY: Re-equipment of the Italian Air Force--US General Lee, Acting Supreme Allied Commander in Italy, has requested authorization to suggest to the Italians that "in their own best interests" they accept the British plan for re-equipment of the Italian Air Force, primarily with British equipment. According to US Ambassador Dunn, General Lee believes that continued delay is damaging the Italian Air Force program, whereas acceptance of the British plan will permit the resumption of a full training program.
5. FRANCE: Communists may leave Cabinet at once--US Ambassador Caffery has been told by Acting Foreign Minister Teitgen that he had proof "beyond a shadow of a doubt" that the Madagascan uprisings were instigated by the two Madagascan Deputies and the two Councillors now under arrest. When the question of parliamentary immunity for the Deputies and Councillors was put to the vote by the Cabinet on 16 April, the Communists were alone in opposing their arrest and Teitgen declared that he "lost his temper" and stated that he was "scandalized and surprised"; the Communist Ministers arose and withdrew when Teitgen said, "If you are not with the Government it is better for you to leave the Government."

Teitgen added to Caffery: "It is very possible that, as we mean to stand firm, the Communists will leave the Government on Tuesday (29 April). If they do, we will of course be faced with CGT strikes and troubles and we will face them. We are convinced that we must eventually get the Communists out of the Government. However, this is not a propitious moment to do so in view of the fact that we must cut bread rations 50 grams on May 1 and another 50 grams on June 1."

Increasing Communist agitation in colonies reported--US Ambassador Caffery reports that "qualified observers" are increasingly inclined to believe that the French Communists are being directed to accelerate their agitation in the French colonies "to the extent even that they may not be able to remain in the Government." Caffery adds that the Resident General of Tunisia is "gravely concerned" over the mounting native agitation backed by Communists in Tunis and "expects trouble there in the near future."

Anti-De Gaulle efforts of Communists--US Ambassador Caffery reports that the Communists are making strong efforts to use the Committees of Liberation (which they were largely responsible for creating

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following France's liberation) as the basis for the vigilance committees now being formed to combat Gaullism. According to militant Socialists, the Socialist directing committee, in order to prevent the Communists from leading the anti-De Gaulle movement, has sent confidential orders to departmental and local Socialist committees forbidding them to support the vigilance committees. Simultaneously, the Socialists have informed the Communists and all other parties, except the extreme right, that they are ready to discuss ways and means for joint opposition to the General's "dictatorial tendencies."

6. USSR: Scheduled air service into Afghanistan reported--US Military Attache Moscow reports that Soviet authorities have announced the opening of several new air routes including regular service to Kabul, Afghanistan (see Daily Summary of 14 April, item 3).

(CIG Comment: There has been no confirmation from Afghanistan of any air agreement with the USSR. The USSR has listed Kabul previously in announced air operations, although it has not made regularly scheduled civil flights into Afghanistan since the beginning of World War II.)

FAR EAST

7. CHINA: Government plans to document its appeals for US aid--US Ambassador Stuart has learned that the Central Government intends shortly to present to the US Government a "considered analysis" of China's economic situation showing the need for US assistance. The analysis will comment on the over-all political importance of a stable China, and may possibly touch on the need for military assistance. While the report will recommend several developmental projects in the field of transportation, power, mining, industry, agriculture, and utilization of Japanese reparations, Stuart notes that Chiang Kai-shek and some of China's leading financial officials greatly favor US commodity loans because of their deflationary effects.

Kuomintang retains firm control over Executive Yuan--Commenting on China's newly-reorganized Executive Yuan (the Central Government's administrative arm), Ambassador Stuart notes that "actual administration of the Government ... remains firmly in the control of the Kuomintang." Stuart adds that the political authority of

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the Executive Yuan's new Premier, Chang Chun (leader of the Kuomintang's relatively liberal Political Science Group) will still depend upon the extent to which Chiang Kai-shek gives his support to Chang rather than to the less progressive KMT elements.

THE AMERICAS

8. PARAGUAY: Rebels unlikely to accept Morinigo terms--US Embassy Rio reports that Brazil is now apparently aware that its offer of mediation in Paraguay has not been accepted, and that the impression that Paraguay had accepted the offer "in principle" rested upon a misconstruction of a memorandum from the Morinigo Government.

US Charge Asuncion reports that (a) acceptance by the rebels of the Government's demand for unconditional surrender as a condition for the mediation is unlikely; and (b) the rebels' refusal might cause the Brazilian Government to reconsider its present position of neutrality and to extend aid to Morinigo.

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EUROPE

1. GERMANY: British seek planned economy for the US/UK Zones--
General Clay has reported from Berlin that the program which the British have proposed for the operation of the economically-merged US-UK Zones would develop a fully-planned economy under the rigid control of the bi-zonal Germany agency. In General Clay's view, this program would call for a detailed regimentation of the German economy and appears to be a direct effort to introduce socialistic controls to pave the way for socialization of the bi-zonal area. Clay adds that (a) the bi-zonal German agency has so far been a failure because it has concentrated on planning an over-all economy, rather than on developing the export program; and (b) the British proposal would be unacceptable to the American public and would require a long time to develop. Clay believes that the matter should be passed to the governmental level because the UK proposal is contrary to US political objectives.

2. SPAIN: Don Juan adviser proposes economic sanctions against Franco--
US Ambassador Caffery has been told by Foreign Affairs Secretary-General Chauvel that, according to Lopez Olivan (one of the Pretender's principal advisers), Franco cannot be ousted as long as he has the support of the Army, and that the generals, who enjoy special privileges under his regime, will continue to support him as long as he is able to point to certain commercial agreements with the US and UK as proof of the stability of his regime. Lopez Olivan is convinced that, if the US, UK, and France put economic pressure on Spain, the generals will consider Franco's position untenable and will make a deal with the anti-Franco forces, particularly if the Monarchists and Republican elements reach agreement, which he believes "very possible." Chauvel said that the French believe there is something in Lopez's argument but he added that unless the US, UK, and France take concerted action, Franco will play off one against the other and nothing can be accomplished. Chauvel stated that the UK has let the French know informally that, if possible, they wish the Spanish problem solved before it comes before the UN next fall.

3. FRANCE: Communist urges arming of working classes--US Ambassador Caffery points out that a recent speech by the Communist Minister of National Defense reflects the purest Bolshevik doctrine of

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"arming the working class" under the leadership of the Communist Party, and thus reverts to the traditional military policy of the Communists. Caffery links this with the stronger stand which the Communists have recently taken on such questions as the French colonies and US "reactionary imperialism."

Communist Madagascar position versus the bread ration--

Ambassador Caffery has protested to Acting Foreign Minister Teitgen the Government's effort to blame the US for the reduction of the bread ration. Popular disappointment at the reduction is traceable, according to Caffery, in large part to overly-optimistic statements made by the Minister of Agriculture after his return from the US in February. The Minister has admitted to Caffery that his statements at that time were designed to discourage French farmers from hoarding their wheat.

Caffery believes that any public rebuttal of charges that the US is responsible for the reduction should come from Washington. He recommends that this should be deferred, in view of the reconvening on 29 April of the National Assembly in which the Madagascar situation will undoubtedly come up for discussion. Caffery adds that the Communist position on this issue is shaky and unpopular and that no US utterance should distract French popular attention from what he believes will become a situation that will prove disadvantageous to the Communists.

Proposed reforms aimed at Sultan of Morocco--A high Foreign Ministry official has told Caffery that the Foreign Ministry has proposed for the Government's approval a program calling for further democratic reforms in Morocco. Caffery understands that the object of this proposal is to place the Sultan of Morocco in a position where he must either (a) approve the reforms which the French do not believe he favors at heart; or (b) oppose the reforms, "which will not help him with the Moroccan masses."

4. ITALY: Left elements may press for Cabinet changes--US Military Attache Rome reports that the possibility exists that Left elements may force a reorganization of the Government on the basis of the evident fact that the strength of the Christian Democrats in the Cabinet no longer reflects the political complexion of the Italian people. The MA believes that if such a reorganization occurs, active partici-

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patron by parties of the Right would be mandatory or control of the Government would unquestionably pass to the Socialist-Communist bloc. The MA adds that the maintenance of the center position of the Christian Democrat Party is a "strong safeguard against civil war."

NEAR EAST-AFRICA

5. GREECE: Criticism of SC Investigating Commission--Dendramis, Greek delegate to the UN, has delivered to the US delegation an aide-memoire calling attention to tendencies in the SC Balkan Investigating Commission: (a) to refrain from fixing responsibility for border violations in Greece "lest displeasure be caused to the Slav bloc"; and (b) to recommend that the Greek Government grant a political amnesty and adopt measures to combat alleged rightist excesses. Dendramis feels that these "attempts at a compromise" would not ease Greece's position in the Balkans, but would encourage subversive elements and lead the USSR to feel that US policy still left room for hopes of a development favorable to the USSR's purposes in Greece.

6. IRAN: USSR protests Iran's "anti-Soviet and pro-US policy" --US Ambassador Allen has been informed by Prime Minister Qavam that the Soviet Ambassador has recently made strong complaints to members of the Iranian Cabinet against the "anti-Soviet and pro-American policy of the present Iranian Government." The Soviet Ambassador stated that Iran had rejected offers of Soviet aid and had refused to consider an air agreement with the USSR. He also said that Iranian plans for internal economic development through dollar loans would result in full US economic and military control. Qavam asked Allen whether the US considered that the Soviet Ambassador's representations indicated a new Soviet campaign against Iran, now that the USSR's "way is blocked in Greece and Turkey."

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THE AMERICAS

7. HAITI: Dissolution of the Communist Party--US Ambassador Tittmann reports that the self-styled Communist Party of Haiti has dissolved itself, and that the Government intends to take police action against the Popular Socialist (Communist) Party. President Estime expresses the hope that this would "please the US." (The Communist Party of Haiti was composed of pro-government Marxists and was not recognized by US and Cuban Communists. The Popular Socialist Party consists of Marxists in opposition to the Government and receives cooperation from other Communist Parties.)

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GENERAL

1. Embassy Moscow opposes agricultural aid to USSR--In view of the Soviet failure to permit the renewal of contacts between the US Agricultural Attache and Soviet agricultural experts, US Embassy Moscow "strongly urges" that the US Department of Agriculture discontinue all agricultural assistance to the USSR. The Embassy suggests that all USDA field directors be instructed not to extend help to Soviet representatives without prior approval.

The Embassy believes that Soviet reluctance to allow freedom of movement to American agriculturalists in the USSR will never be overcome, if "large loopholes exist in the US wherein the Soviets can move freely."

2. British failure to produce suitable transport aircraft--US Embassy London reports that the British Cabinet has reversed its former position favoring the purchase of US transport aircraft for British airlines. A strong effort will now be made to maintain the prestige of British aircraft manufacturers and increase orders for current production types. British airlines, accordingly, will have to "get along as best they can on makeshifts and conversions" for the next 3 or 4 years. According to the Embassy, the general consensus is that BOAC (British Overseas Airways Corporation) and BSAA (British South American Airways) "can be written off as serious competitors on long-range transportation."

(CIG Comment: It is believed that this conclusion is too broad. The high standard of British operating efficiency and consideration for passenger comfort will partially offset the handicap of obsolescent aircraft for long-range operations. The British can still make a strong bid for passenger traffic which is less concerned with speed than with comfort.)

EUROPE

3. RUMANIA: Disagreement at CFM depresses Opposition--US Representative Berry reports that, as a result of the failure to agree at Moscow on the Austrian Treaty: (a) the Rumanian public is "more depressed" than at any time in the past two years, while the Commu-

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nists within the Government are "jubilant"; and (b) Soviet Military occupation is inevitable for at least another year, during which the Communist program will be consolidated. He adds that during the CFM meeting the Communists completed detailed plans for "framing mass arrests" of nearly 5,000 Anglo-American sympathizers and key Oppositionists; however, the lack of an Austrian agreement has lessened the urgency for a total roundup and the arrests may now be extended over a period of time.

Armed Communist underground--According to US Delegate ACC Bucharest, "it is now definitely known" that the Soviets and the Rumanian Communists are forming an armed underground organization in Rumania in order to maintain the Groza Government. The Delegate adds that the organization has from 20,000 to 25,000 members, about half of whom are Soviet nationals especially imported for the purpose, and that its membership is expected to increase to 40,000.

4. GREECE: Ethridge favors Greek political amnesty--Mark Ethridge reports from Geneva that the US delegation to the Security Council Investigating Commission believes that a generous and equitable Greek political amnesty, "which could never be effected" by the present Greek Government, would: (a) greatly reduce the guerrillas forces; (b) tend to restore some measure of tranquillity in Greece; and (c) remove the US from the position of financing a brutal civil war. Ethridge feels that US policy in Greece "can fall on its face," unless the US is able to end the civil war quickly and start the reconstruction necessary to prevent Greece from falling into Communist hands. He suggests that, if the US Government prefers to take the initiative in pressing for an amnesty, it should do so before the Investigating Commission draws up its own recommendations.

5. AUSTRIA: Government adheres to US policy on Treaty--US Legation Vienna reports that, although the Government continues "altogether friendly" toward the US point of view, the failure of the Moscow Conference to form an Austrian Treaty has caused Government circles "to blame, at least publicly, all the big Powers." Krauland, Minister of Economic Planning, has privately expressed the beliefs that: (a) the USSR will never accept the US formula in regard to the transfer of German assets; and (b) the Western Powers showed inadequate

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confidence in the Austrian will to resist Soviet economic penetration, and should have compromised with the USSR on the assets question in order to obtain a treaty. Chancellor Figl, on the other hand, while agreeing in general with Krauland, believes that, in view of the overall strategy, it was wise not to compromise with the USSR. The Legation adds that Figl's position "appears secure" as the Socialists will not question the Government's basic foreign policy.

6. FRANCE: Cooling period seen delaying Cabinet crisis--US Ambassador Caffery reports that it "now appears possible" that the Assembly may not "really get down to brass tacks" in its discussion of Madagascar and colonial policy until next week. He adds that perhaps the most important reason for this "cooling of the political atmosphere" is the reluctance of any single party to take the responsibility for causing a crisis.
7. UK: Press urged to indicate progress of the Military Staff Committee--The Foreign Office has informed US Embassy London that the British press is being urged to stress the "progress" indicated in the report of the UN Military Staff Committee, and not the failure to reach full agreement.

THE AMERICAS

8. PARAGUAY: Government accepts Brazilian mediation--US Embassy Rio reports that, according to the Brazilian Foreign Office, the Government of Paraguay has accepted Brazil's offer to mediate the Paraguayan civil conflict, and the Brazilian Government is now attempting to determine whether rebel leaders will also accept.

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