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DDA Form, 4 Apr 77
Auth: DIA REG. 77/1783
Date: 9 Nov 78 By: 028

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GENERAL

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1. Albania may cede territory to Markos regime--US Military Attache
Athens transmits two reports from Greek Communist sources that Albania as "a New Year's gift" will cede the province of northern Epirus to the Markos regime. Although the MA believes these reports may be merely propaganda designed to increase current Greek anxiety, he points out that the possibility of such a step deserves consideration because of the material advantages it would give the guerrilla cause.

2. Reported Yugoslav intentions toward Markos regime--US Ambassador
Cannon in Belgrade considers that "a key element" in the situation arising from the announcement of the Markos regime may be Yugoslavia's realization that it can ill afford to meet the US head on at any point where major US interests are involved. Cannon therefore believes the Yugoslav Government may be anticipating: (a) an early Markos victory "at whatever cost and however ephemeral" to give some basis to his pretensions; (b) recognition of the Markos regime by Albania; (c) a "half-way" stand by Yugoslavia, if the new regime shows promise of success; and (d) accreditation of Markos representatives," perhaps at first in indeterminate status, to leave latitude for full recognition according to developments."

(The French Ambassador in Belgrade has told Cannon that Deputy Foreign Minister Bebler did not display to him any such confident attitude concerning Yugoslav recognition of the Markos regime as Bebler is said to have conveyed to the British Ambassador (see Daily Summary of 31 December, item 2). Bebler told the French Ambassador that the Yugoslav Government had two duties: (a) to sustain Markos morally; and (b) to do nothing to compromise the interests of peace. According to the French Ambassador, Bebler seemed worried by the US position.)

EUROPE

3. BUGLARIA: Forceful action to combat Communism advocated--US
Minister Heath recommends that the US take immediate effective action

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short of war to stop the spread of Communism in Bulgaria. Because the Bulgarian Government considers itself engaged in an undeclared war against the US, Heath recommends that the US: (a) protest every known or suspected violation of the Peace Treaty by the Bulgarian Government; and (b) be prepared to invoke Article 36 of the Treaty in the event of Bulgarian rejection. Heath believes that such a step, if given full publicity, would enable the US to take the "ideological offensive."

NEAR EAST-AFRICA

4. PALESTINE: Reasons for Sneh's resignation from JA executive-- According to US Consul General Macatee in Jerusalem, Jewish sources agree that the resignation of Moshe Sneh from the Jewish Agency executive resulted principally from dissatisfaction among conservative elements of the executive with Sneh's extremism (see Weekly Summary of 30 December, page iii). Conservative leaders objected particularly: (a) to Sneh's close connections with various Communist groups in Eastern Europe and his demands for immediate large-scale immigration from Rumanian and Bulgarian seaports; (b) to Sneh's reported plan for merging Irgun Zvai Leumi (Jewish terrorist organization) with Hagana (military arm of the JA), while permitting Irgun cells to continue intact within Hagana; and (c) to Sneh's objection to the JA's policy of imposing restraint on Hagana.

Macatee adds that, according to an unconfirmed report, Sneh ordered the PAN CRESCENT and PAN YORK to sail for Palestine, and then resigned. Meanwhile, a high official of the Palestinian Government has informed Macatee that Arab anger over the inclusion of several thousand Communists among the immigrants headed for Palestine has overshadowed the issue of illegal immigration.

5. INDIA: India threatens dispatch of troops to Pakistan-- US Charge Donovan in New Delhi reports that the Indian note to the UN requesting SC consideration of the Kashmir dispute clearly states that India may have to send troops into Pakistan in order to quell the tribal raiders operating in Kashmir. Donovan adds that the diplomatic corps considers the situation serious. Meanwhile, US Charge Lewis in Karachi states that

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Pakistan's leaders, although irritated, appear less concerned than Indian leaders by the dispute and have stated that Pakistan would welcome a UN plebiscite in Kashmir. The US has addressed notes to both dominions urging that they refrain from provocative action pending SC action on the dispute.

FAR EAST

6. **CHINA: Communists threaten Yangtze River shipping**--US Ambassador Stuart reports an increase in the tempo and scale of Communist military operations in the central Yangtze valley. He believes that this development not only makes it increasingly difficult for the National Government to reinforce its armies in North China, but also threatens to interdict Yangtze shipping above Hankow, thus denying vital Szechwan rice stocks to Nationalist garrisons in central China.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10 Nov 76 By: 028

1. US will seek to forestall Swedish request for US aid--The Department of State has told US Embassy Stockholm that it intends to prevent an anticipated Swedish request for US financial assistance by privately informing the Swedish Foreign Office financial representative (now in Washington) that it would be best for him not to press for credit discussions during his current visit. The Department plans to relieve Sweden's present financial position by giving the Swedish Government freedom of action to restrict imports from the dollar area and possibly to postpone payments.

EUROPE

2. ITALY: Possible ill effects of ending bread subsidy--US Ambassador Dunn reports that at a recent meeting of Cabinet and high-level technical officials on interim aid and European recovery, discussion centered on the Government's use of subsidies to lower the price of bread. Vice Premier Einaudi argued that this practice should be abandoned for budgetary reasons, because maintenance of the subsidy would require the expenditure of 58 billion lire from the lira fund accruing from US interim aid. The more politically-minded Ministers at the meeting, however, argued strongly in favor of the subsidy. Dunn comments that it would be unfortunate if in the Italian mind US aid should be identified with a 100% increase in the price of bread, which constitutes two-thirds of the Italian worker's diet.
3. RUMANIA: Abdication forced upon Michael--US Legation Bucharest has been informed by Radulescu, King Michael's closest adviser, and Ionitiu, the King's secretary, that the King was forced to abdicate. These sources report that (a) before the abdication document was presented to Michael, his Palace bodyguard was arrested and replaced by selected Government troops; (b) when Premier Groza presented the document, he warned that he "could not be responsible for popular unrest or actual bloodshed" if the King refused to abdicate or took long in considering the matter. These sources also report that the Govern-

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ment has indicated that it will not permit Radulescu to leave Rumania, despite previous assurances of safe-conduct for the King's household, because it believes Radulescu is slated to become Prime Minister of a Rumanian emigre government.

4. GREECE: International battalions reported ready to support guerrillas--

US Charge Rankin reports Greek General Staff information from a source it considers "most serious" that international brigade elements, organized in four battalions, have been receiving special training in anti-tank and anti-aircraft weapons in camps in Albania and Yugoslavia. The report states that the battalions will be used in an imminent attack on Florina, following diversionary operations at other border points.

(CIA Comment: Use of trained technical personnel in support of guerrilla troops would indicate that the Markos forces are abandoning guerrilla in favor of more orthodox tactics and are adopting a new policy of attempting to hold territory. The recent attack on Konitsa might well be the first part of the reported diversionary operations.)

NEAR EAST-AFRICA

5. PALESTINE: Arabs claim control of situation--US Consul General Macatee in Jerusalem has been informed by Emile Ghoury, member of the Arab Higher Executive and close friend of the Mufti, that: (a) the Arab Higher Executive now has complete control of all Arab bands operating throughout Palestine; (b) Palestine is now organized into three Arab military zones with a commander for each zone, and the present plan is to arm and supply Arabs in those areas intended for inclusion in the proposed Jewish state before organizing the predominantly Arab areas; (c) incidents are expected to grow in intensity but no major action is proposed until after departure of the British; (d) the Arabs now believe Hagana a "myth" and no longer fear its power; and (e) the Arab Legion may occupy all of Palestine. In conclusion, Ghoury emphasized the determination of Palestine Arabs and the Arab world to "fight to a finish the creation of a Jewish state and UN control."

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(CIA Comment: While Ghoury is obviously underestimating the strength of Hagana for propaganda purposes, CIA believes his other statements to be substantially correct.)

6. INDIA: Army not preparing for war--General Bucher, the British Commander-in-Chief of the Indian Army, has told US Charge Donovan in New Delhi that: (a) no steps have been taken to prepare the Indian Army for offensive action against Pakistan; (b) such preparations in any event could not be completed under 30 days; and (c) if war appeared imminent, he would not hesitate to inform the UK Government that all British officers with the Indian Army should be transferred from operational duties to advisory capacities. Donovan comments that, in the light of his conversation with Bucher, he now feels more optimistic regarding the general situation.

FAR EAST

7. CHINA: Communist objectives in Manchuria--US Consul General Ward reports from Mukden that (a) the present situation in Mukden is serious but not critical; (b) the massing of Nationalist troops in Mukden to meet the Communist threat has, from the standpoint of numerical strength and fire power, made that city stronger than it has been for months; (c) from a logistical and long range point of view, however, the Nationalist overall position in Manchuria has been considerably weakened by the Communist move; and (d) Changchun and Kirin are isolated and may soon be without efficient defense forces. Ward considers that Communist objectives, in order of importance, are: to cut off food supplies from Mukden, to capture Hsia Min and completely destroy the Mukden-Peiping rail line from Mukden west to Changhsi, and to capture Kirin and Changchun.

According to Ward, high Chinese officials in Mukden admit that, unless the Nanking government takes prompt and drastic steps to strengthen its hold on Manchuria, this area will undoubtedly fall to the Communists, though perhaps not for many months.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10/1/76 By: 078

1. Further "self-help" conference on European aid suggested--US Embassy London suggests that the 16 countries involved in the European recovery program should review ways and means of implementing self-help programs to assist European recovery, in order to keep the Communists on the defensive during the possibly protracted Congressional debate on the European recovery program and to demonstrate that the European countries are not interested exclusively in the amount of aid they can obtain from the US. The Embassy observes that because the Labor Government has been severely criticized by British moderates for its failure to take the lead in reconvening the CEEC, Bevin might well take such action.
2. USSR reaffirms position on Japanese peace treaty--Ambassador Smith in Moscow reports that in replying to the Chinese note of 5 December the Soviet Government has reaffirmed its position that the preparation of a Japanese peace treaty must be entrusted to the CFM and not to the Far East Commission as proposed by the Chinese Government. The Soviet reply admits that other states which contributed to victory over Japan should be permitted to assist in the preparatory work of the treaty.

EUROPE

3. YUGOSLAVIA: Tito's attitude toward Greece--US Ambassador Cannon reports that in a conversation with Tito regarding Greece, the Marshal stated that Yugoslavia was "not going to do anything dramatic or engage in any adventure." Cannon adds that Tito's remarks confirm an earlier impression that the Yugoslav Government does not wish to recognize the Markos government unless it is ordered to do so by the Kremlin. Cannon believes that Tito is uneasy about US plans.

Tito's attitude toward trade with US--Cannon found Tito only mildly interested in the development of normal trade with the US and entirely indifferent to the long-range aspects of such trade.

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According to Cannon, Tito wants machinery and electrical equipment from the US now and realizes that the success of the Yugoslav five-year plan depends upon obtaining this equipment (which the eastern bloc cannot furnish). Tito asked that the US unblock Yugoslav gold in the US and remove the ban on US tourist travel in Yugoslavia as a means of paying for this equipment. Tito's attitude confirmed Cannon's impression that Yugoslav economic development is having "hard sledding." Cannon expresses the belief that the USSR: (a) will only give sufficient minimum aid to Yugoslavia to keep it "in respectful dependence"; (b) will encourage industries in Yugoslavia of direct military importance; but (c) considers Yugoslavia strategically as a forward area and intends to concentrate important industries within the Soviet Union.

4. GREECE: UNSCOB facing difficulties--According to Ambassador Kirk (US delegate to the UN Special Committee on the Balkans), several UNSCOB delegates feel that the General Assembly's original terms of reference for UNSCOB are now obsolete in view of the Satellites' refusal to recognize the Committee. Kirk reports that the Chinese delegate has suggested that the UN "Little Assembly" might be asked to redraft the terms of reference, or that the "Little Assembly" might even be transformed into the General Assembly for a special session to deal solely with UNSCOB.

Comments on Konitsa fighting--Colonel Miller (US military adviser to UNSCOB) reports the following information and impressions after a recent visit to the Konitsa area: (a) the Greek infantry showed no will to advance without full artillery and air support and lacked aggressiveness; (b) there are no indications of guerrilla aircraft; (c) Greek Army successes appear to have been largely due to favorable weather, which permitted effective close air support; (d) the unexpected ability of several National Guard battalions has resulted in ill-feeling and jealousy between Army and National Guard officers; (e) uniforms worn by some of the captured guerrillas are believed to have been supplied by the Rumanian Red Cross; (f) the bulk of the present guerrilla forces in the area are not believed to have crossed the Albanian frontier; (g) the continuity of guerrilla operations, the skillful maneuvering, and the evidence of frequent liaison across the frontier indicate

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master direction and coordination of activities on both sides of the frontier; and (h) there is no indication yet of the presence of non-Greeks among the guerrillas.

USSR may propose "fusion" government--US Charge
 Rankin transmits a reported statement by Greek Socialist leader Sofianopoulos in Paris calling for a special Four Power conference to seek "an inter-Allied solution" of the Greek problem. The statement claims that the Four Powers are responsible for the Greek situation and should resume their roles as joint protectors of Greece. Sofianopoulos is also alleged to have stated that the formation of a Greek Government on a wider basis, including all non-Communist parties, would greatly strengthen Greece, both internally and internationally. (The position of the Greek Socialists vis-a-vis the Communist Party has never been clarified; so far none of the Socialist leaders has condemned the Markos government.)

Rankin believes that Sofianopoulos' statement may be significant in the light: (a) of Yugoslavia's caution concerning recognition of the Markos government; and (b) of the possibility that Yugoslavia or the USSR may plausibly propose a "fusion" government in Greece.

(CIA Comment: CIA considers that the USSR has no reason at present to abandon its current policy of violence in Greece in favor of a compromise solution.)

NEAR EAST-AFRICA

5. TURKEY: Turks believe strong US declaration needed to save Greece--
 US Ambassador Wilson reports that Turkish leaders regard the Greek situation as desperately serious and feel that only an "unmistakable declaration" of US interest in the preservation of Greek independence and integrity can possibly induce the USSR to withhold Satellite recognition of the Markos government. The Turkish leaders reportedly feel that, in the absence of such a declaration, Satellite recognition of the Markos regime will eventually force the US to choose between armed intervention and Soviet domination of Greece.

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6. SYRIA: USSR asserts it is "really" pro-Arab--According to US Legation Damascus, a Soviet Legation officer has informed a Syrian Foreign Ministry official that the USSR "really would help" the Arabs and that the Soviet pro-partition vote in the UN was merely an "anti-imperialist" measure. The Syrian official does not believe the statements of the Soviet representative.
7. SAUDI ARABIA: British unworried about oil fields for the present--US Embassy London reports the opinion of Foreign Office and oil company officials in London that the Dhahran-Bahrein oil field area will probably remain relatively quiet unless the US takes a stronger position in Palestine by supplying the Zionists with arms or by landing US forces.

FAR EAST

8. KOREA: Current political situation--General Hodge transmits the following summary of the current political situation in Korea: (a) the UN Commission will face overt opposition by the extreme Left and sabotage by the extreme Right; (b) Rhee Syngman is now in full control of the Right and will oppose any solution in Korea which does not promise him unchallenged dictatorial control; (c) Communist activity and popularity are at a low ebb; (d) there is little indication of an early unilateral Soviet withdrawal but such a move remains a possibility in view of apparent Soviet preparations to accord recognition to the North Korean regime; and (e) troop strength of the US command is "dangerously low" and is inadequate to maintain law and order and US prestige.

Hodge predicts "explosive results and a tremendous loss of US prestige," if the UN Commission fails to achieve some peaceful solution of the Korean problem, including "at least apparent independence for South Korea."

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THE AMERICAS

9. **PANAMA: Reasons for rejection of defense-sites agreement--US Ambassador Hines expresses the view that the Panamanian National Assembly's unanimous rejection of the defense-sites agreement may be explained by: (a) the "loss of control of the situation" to "communistically-led" student groups, with whom the police, after one contact, had been instructed not to interfere; (b) the urgent opposition of Alfaro and Harmodio Arias; and (c) political considerations connected with the coming elections.**

(CIA Comment: CIA believes that while the unanimity of the vote may have been caused by uncontrolled student demonstrations, the Assembly would have rejected the agreement even if there had been no student demonstrations (see Weekly Summary of 30 December, page 3). US Embassy Panama previously reported that instructions to the police to discontinue interference with the student demonstrations originated with the Assembly itself, which approved such instructions by unanimous vote on 13 December.)

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DDA Memo, 4 Apr 77
DDA REG. 77/1763

GENERAL

Auth: 10 MAR 77 By: 023

1. Reported Satellite views on recognition of Markos government--

The British Minister in Sofia has informed US Minister Heath of a recent conversation with Bulgarian Deputy Foreign Minister Ganovsky. When asked whether Bulgaria was prepared to resume full diplomatic relations with the Greek Government, Ganovsky replied that: (a) he hoped developments in Greece would reach a decisive phase which would result in Bulgaria's recognizing one government or the other; and (b) because of the current confused situation, the Bulgarian Government felt that there was no hurry about making a decision.

US Charge Rankin reports from Athens that, according to French Embassy Belgrade, Yugoslav Deputy Foreign Minister Bebler's attitude concerning recognition of the Markos government has been greatly modified following US Ambassador Cannon's representations (see Daily Summary of 2 January, item 2). The French Embassy asked Bebler whether Yugoslavia, if it decided to recognize the Markos government, would recognize it as the government of all Greece or of only that part under Markos' control. Bebler allegedly replied, "Probably the latter."

US Ambassador Caffery transmits reports that representatives of Satellite states in Paris are now saying that owing to "the vigor with which the US responded to the establishment of the Markos government," Satellite recognition of the government will probably be postponed for some time, at least until the situation is further clarified.

2. Czechoslovak-Bulgarian mutual aid pact considered--US Military Attache Prague reports that the Czechoslovak Cabinet will consider on 6 or 7 January a proposed political and military treaty with Bulgaria which contains provisions similar to those in the recent Yugoslav-Bulgarian pact.

(CIA Comment: Previous mutual assistance pacts signed by Czechoslovakia with the USSR, Poland, and Yugoslavia are directed only against Germany and its allies, but the Yugoslav-Bulgarian pact

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is directed against all aggressors. The present Czech-Bulgarian negotiations therefore reflect the desire of the USSR to broaden the scope of the military pacts among its Satellites.)

EUROPE

3. AUSTRIA: Rumors current of Austrian treaty soon--US Minister Erhardt interprets current rumors in Vienna of a possible early conclusion of an Austrian treaty to be Soviet propaganda designed to make the Austrians more amenable to Soviet pressure. Austrian Foreign Minister Gruber has expressed to Erhardt the view that the USSR, in order to show progress on one international issue with a minimum sacrifice of Soviet objectives, may come to terms on the Austrian treaty. Gruber admits that the USSR would probably defer ratification of the treaty but he would prefer such a suspended agreement or even a breakdown of CFM negotiations to the present situation. Erhardt concurs in Gruber's conclusion that it will be possible for the Austrian Government to offer consistent and forthright resistance to the USSR only when the treaty is signed or definitely laid aside.

(CIA Comment: The USSR is unlikely to make concessions which will seriously prejudice its ability to force Austria into the Satellite orbit. If the CFM deputies are unable to agree on an Austrian treaty, the USSR will probably seek to reopen bilateral negotiations with the Austrian Government.)

4. ITALY: Renewed Communist activity predicted--US Military Attache Rome reports that: (a) there is no positive indication that the Communists have cancelled their program of violent activity in Italy; (b) a strong campaign of strikes and violence is anticipated about the beginning of February; (c) a Communist insurrectionary attempt is possible, perhaps without any preliminary general strike; (d) Communist maneuvers have demonstrated a capacity for swift transportation and good discipline; and (e) the Government appears capable of defeating any revolution not reinforced by the USSR or its puppet governments.

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NEAR EAST-AFRICA

5. EGYPT: US military air rights to be extended six months--US Ambassador Tuck reports that the Egyptian Government has consented to renew for six months (beginning 15 December 1947) transit and landing rights for US military aircraft. The Egyptian Foreign Office informed Tuck that the agreement, which limits the US to 100 flights during the period, should be considered "entirely exceptional" and that it would be impossible to grant any further extension. (This decision supersedes the Government's recent declaration that these rights would expire on 15 January 1948-- see Daily Summary of 15 December, item 7.)

6. IRAQ: Military preparations for Palestine operations--An Iraqi official assigned to Iraq's Palestine defense organization has informed US Charge Dorsz in Baghdad that: (a) Iraq has sent 290 "commandos" to Syria as a training cadre for non-Iraqi Arab volunteers and has 2,500 more trained men and 80 trucks ready for departure; (b) Iraqi applications for Palestine service total more than 27,000; (c) the fund-raising campaign has received strong private support and substantial assistance from the Government; and (d) all volunteers are being paid.

FAR EAST

7. INDONESIA: Netherlands believed by-passing GOC --US naval authorities on board USS RENVILLE at Batavia report that negotiations between the Netherlands and the Indonesian Republic under the auspices of the UN Good Offices Committee are nearing a crisis. US observers indicate that the Netherlands Government is by-passing the GOC and is holding conferences elsewhere on the question of organizing states in the territory involved in the Dutch-Republican dispute.

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8. **CHINA: Sensitivity about possible conditions attached to US aid--**
US Ambassador Stuart reports that Yu Ta-wei, member of the Chinese Technical Mission soon to arrive in Washington, appeared in a recent conversation to be in complete ignorance concerning the scope of the mission, pretending even to be unaware of the Chinese request for US aid in effecting internal reform. The Ambassador adds that Yu "hit the ceiling" when it was suggested that he might be called upon to agree to the opening of Hankow and Nanking to foreign shipping.

(CIA Comment: The National Government hitherto has given assurances that China is prepared to accept some foreign supervision over an aid program. However, the attitude of Yu indicates that the Government's concern over popular sensitivity on matters related to sovereignty may prove a major obstacle in forthcoming negotiations.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

EUROPE

Date: 10 Mar 78 By: 028

1. ITALY: Official reaction to proposed US military exercises in Italy--
US Ambassador Dunn reports that in accordance with a request from Admiral Conolly he sought the reaction of Prime Minister De Gasperi concerning the proposed large-scale exercises of US carrier planes over Italy, including their landing at Italian airports. De Gasperi reportedly replied that this matter is "very delicate" and that he would like time to think it over.

The Secretary General of the Italian Foreign Office has pointed out to Dunn that recently published stories of US Marine movements to the Mediterranean, linking the Greek and Italian situations together, have given the Communists excellent material for their propaganda that the US has designs on Italian sovereignty.

2. GREECE: US considers revision of UNSCOB powers unnecessary--
The Department of State has informed Ambassador Kirk (US delegate to UNSCOB) that it does not consider the redrafting of UNSCOB's terms of reference necessary for effective operations (see Daily Summary of 5 January, item 4). The Department points out that: (a) the refusal of Albania, Yugoslavia, and Bulgaria to cooperate with UNSCOB has long been foreseen; (b) UNSCOB, even though operating only within Greece, can obtain a graphic picture of guerrilla operations; and (c) authentic UN reporting of current developments in northern Greece is important in order to educate world opinion and to lay the foundation for whatever subsequent action may be necessary to maintain the territorial integrity of Greece.

NEAR EAST-AFRICA

3. PALESTINE: Arabs plan political administration for country--US
Ambassador Tuck reports from Cairo that the Arab Higher Committee for Palestine stated in a communique following a recent meeting that the Committee has approved a detailed political system for all of Palestine "aimed at satisfying the public wish for real representation."

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FAR EAST

4. KOREA: US to press for immediate elections in South Korea--US
Political Adviser Jacobs has advised General Hodge that it is "highly desirable" that the UN Commission be urged to proceed immediately with the observation of an election in South Korea if the Commission is refused admission to the Soviet Zone.

5. INDONESIA: Crisis in GOC negotiations--The US delegation to the UN Good Offices Committee is concerned over the crisis in GOC negotiations brought on by the truce plan recently announced by the Netherlands Government. The US delegation feels that the Dutch proposals are so generalized as to destroy the Republic's hope of achieving anything like the status envisaged in the Linggadjati Agreement and believes that the Republic's desire to cooperate in the implementation of a cease-fire agreement may be weakened thereby. The US delegation feels that unless Dutch conditions are modified, the Republic is likely to collapse either under Dutch military action or through internal difficulties, with serious consequences to the GOC and to the US which holds the key position in the GOC.

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Document No.

1. US view concerning appointment of governor for Trieste--The Department of State has advised the US delegation at the UN of its opinion that: (a) any governor appointed for Trieste at present would be so subjected to Yugoslav pressure as to be incapable of maintaining the independence and integrity of Trieste; and (b) any alteration of the current situation in Trieste where US-UK forces serve as a stabilizing influence would be dangerous "in this critical juncture of affairs in Europe." The Department instructs the US delegation to pursue a course of action which will avoid the appointment of a governor at this time.
2. British take lead in resuming CEEC activities--US Ambassador Caffery reports that UK and French CEEC representatives have met and drawn up a proposed program for future CEEC activities. Tentative plans include Bevin's reconvening the CEEC for a short conference at the beginning of February to: (a) review measures taken since the initial CEEC conference; (b) plan future mutual-aid measures; and (c) establish a small working party which will direct the specialized committees, act as liaison with Washington, and prepare plans for the multilateral organization to be set up by the 16 countries under the European recovery program.
3. Reported recruiting in Hungary for fighting in Greece and Palestine--US Minister Chapin has been informed by a "reliable source" that General Jozsef Palfy of the Hungarian Army is recruiting a "considerable" number of volunteers to aid the Greek guerrillas. Chapin adds that, according to another source, recruits may choose similar service in Palestine with the Irgun Zvai Leumi and that a total bonus of 30,000 forints is paid to each volunteer.

EUROPE

4. SPAIN: Vatican views on Spain--During an interview with Vatican Acting Secretary of State Tardini, Acting US Representative Parsons received

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the impression that the Vatican reaction to the recent reexamination of US policy toward Spain (see Daily Summary of 19 December 1947, item 3) will be favorable though perhaps more passive than that desired by the US. Parsons believes that the Vatican response will be influenced by: (a) the absence of any pressing threat to the interests of the Church; (b) reluctance to increase factional divisions existing in the Spanish hierarchy; and (c) present Vatican preoccupation with urgent and critical problems in Eastern Europe.

5. **HUNGARY:** Communist control considered complete--US Minister Chapin expresses his views that Communist political control of the Hungarian Government is complete in fact if not in appearance, all effective opposition having been eliminated, and that the process of economic and social sovietization can now go forward more or less at will. Chapin points out that the weapons at the disposal of the US to halt further Communist consolidation are extremely limited and are "becoming more so."

NEAR EAST-AFRICA

6. **PALESTINE:** Jewish economy severely disrupted by Arab activities--US Consul General Macatee reports from Jerusalem that the Jewish economy has been severely disrupted by the disorders in Palestine. Macatee indicates that: (a) Jewish transport is handicapped to such an extent that settlements in the Negeb are practically isolated and important Jerusalem roads leading to Jewish suburbs are closed to Jewish traffic; (b) night fighting with automatic weapons and mortars is now common; (c) Arab raids on trains continue, with food and mail stolen; (d) the Jerusalem post office is inoperative because of fear among Jewish employees; and (e) Arab police have continued to abscond with arms despite preventive efforts by the British. Macatee adds that, according to the British, the oil supply in Palestine is sufficient for only ten days.

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7. **INDIA: Government replies to US note**--US Charge Donovan transmits a note from the Government of India (in reply to the recent US note on the Kashmir dispute--see Daily Summary of 2 January, item 5) in which the GOI states that it has no intention of indulging in provocative action while the Kashmir question is being considered by the SC.

Patel speaks belligerently on Kashmir--Donovan also reports that Patel (Indian Minister for Home Affairs) recently asserted in a public speech that India would not surrender an inch of Kashmir to any one. Patel stated that an open war was preferable to the disguised warfare now going on and that there would be little point in holding a plebiscite in Kashmir if India must ultimately save Kashmir "by the sword."

FAR EAST

8. **CHINA: Communications Minister cancels trip to US**--According to US Ambassador Stuart, Minister of Communications Yu Ta-wei will not come to Washington with the Chinese technical mission to discuss the China aid program as previously reported (see Daily Summary of 6 January, item 8). Stuart expresses the view that Yu was reluctant to serve largely because of his unwillingness to be associated with negotiations which might result in the opening of Hankow and Nanking to foreign shipping.
9. **FRENCH INDOCHINA: New demands by Bao Dai**--The French Foreign Office has informed US Embassy Paris that Annamite Emperor Bao Dai is now insisting upon an independent Vietnam Army and complete freedom in the conduct of Vietnamese foreign relations. The Foreign Office regards these demands as contrary to the constitution of the French Union.

(CIA Comment: In a recent secret accord with French High Commissioner Bollaert, Bao Dai had agreed to French retention of final control over Vietnam foreign and military affairs. Bao Dai is now apparently demanding as much independence as the French refused to grant President Ho Chi Minh of the Vietnam Republic.)

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Auth: DDA Memo, 4 Apr 77

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GENERAL

Date: 10 Mar 76 By: 028

1. US attitude toward reconvening CEEC--The Department of State has advised US Embassy London that any debate by a reconvened CEEC on acceptability of US conditions for the granting of aid might prejudice the chances of Congressional approval of the European recovery program. The Department further questions the wisdom of holding a CEEC meeting before Congressional intentions have been clarified in committee hearings.

2. US opposes reduction of personnel in Embassy Moscow--The Department of State has recommended to Ambassador Smith in Moscow that he firmly resist pressure by the USSR to reduce personnel in Embassy Moscow (see Daily Summary of 23 December 1947, item 2). The Department considers that because of the increasing need for "reliable" intelligence concerning conditions in the USSR, the Embassy should maintain as large a staff as housing permits.

EUROPE

3. FRANCE: Reaction to De Gaulle's 4 January speech--US Ambassador Caffery reports that De Gaulle's St. Etienne speech has evoked little popular enthusiasm but has antagonized non-Communist labor by its suggestions of a corporate state. Jouhaux, leader of Force Ouvriere (FO), remarks that De Gaulle's speech will merely confirm Communist and FO assertions that De Gaulle plans a "corporative" state and the elimination of independent trade unionism. Caffery comments that although the speech has tended to damage De Gaulle's position in parliamentary circles, there is still a good chance of his return to power if the Schuman Government fails to stabilize the financial and economic situation in the next two or three months.

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THE AMERICAS

4. PARAGUAY: Possible renewal of civil war--US Embassy Asuncion reports that the situation in Paraguay "is bad" and that bloodshed is possible. Because of the situation, Ambassador Warren has requested authorization to come to Washington for consultation.

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GENERAL

1. UK Foreign Office view on Trieste governorship--A UK Foreign Office official has informed US Embassy London of the Foreign Office view that the US and UK should state at once in the SC that, in view of Yugoslav actions in Trieste, the US and the UK are not at the present time prepared to see a governor appointed for Trieste. The Foreign Office feels that such action would give friendly countries in the SC "a basis upon which to stand with the US and UK on the issue."
2. US ready to recognize French claim to Saar--The Department of State has advised US Political Adviser Murphy in Berlin that the US is ready to recognize de facto separation of the Saar from Germany and incorporation of the Saar economy with that of France, subject to agreement on related issues and to confirmation by the final peace settlement. Murphy has been further informed that the US is agreeable to the gradual withdrawal of Saar coal from the German coal pool and that the US is prepared for administrative purposes to accept present boundaries subject to a final settlement in a peace treaty.
3. US stresses necessity for destruction of Greek guerrillas--The Department of State has informed US Embassy Athens and AMAG that the destruction of guerrilla forces and the establishment of internal security in Greece are of "primary importance" and must take precedence over any other portion of the US aid program.

NEAR EAST-AFRICA

4. PALESTINE: Jewish emigrants reportedly Communist terrorists--US Military Attache Ankara transmits a report that 80% of the Jewish emigrants currently being shipped to Palestine from Soviet-controlled Black Sea Ports are Communist Jews trained as terrorists and guerrillas.

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DDA REG. 77/1763Date: 10 Mar 78 By: 028

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Jerusalem Arabs fear initial defeats--US Consul General Macatee in Jerusalem reports that Arabs in the Jerusalem area are greatly worried by Jewish seizure of the offensive. Macatee indicates that although they are optimistic over final victory, the Arabs believe that present lack of organization will result in their suffering heavy casualties before a successful counter-attack can be made.

FAR EAST

5. CHINA: Chinese officials expect more positive Soviet policy--US Ambassador Stuart reports that Chinese officials believe that the sudden summons to Moscow of General Roschin, the Soviet Military Attache in Nanking, "may be ominous of a more positive policy instead of the somewhat passive or hesitant one thus far followed." Stuart has learned from General Chang Chih-Chung that General Roschin, prior to his departure on 8 January, told General Chang that the USSR desires the civil war to end and peace to be restored under the leadership of Chiang Kai-shek. (General Chang has been endeavoring recently, with the permission of Chiang Kai-shek, to effect a political solution of the civil war and to obtain Soviet assistance in this regard--see Daily Summary of 23 December 1947, item 6.)

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GENERAL

1. US reply to Spaak's criticisms--The Department of State has replied to the friendly criticisms of democratic leadership voiced by Belgian Prime Minister Spaak (see Daily Summary of 26 December 1947, item 4) by pointing out that: (a) the US considers voluntary cooperation and concerted action by independent countries the democratic counterpart to the dictation of totalitarianism; (b) the European recovery program basically represents an effort to replace "disorganization" of the democratic processes with a maximum concerted cooperative effort; and (c) the US favors Belgian and Netherlands participation in the settlement of German problems and expects that the USSR will be prevented from blocking such participation.

2. Eire views on interim meeting of the CEEC--According to US Legation Dublin, the Eire Government will participate in an interim meeting of the CEEC if a meeting is called, but it doubts the advisability of such a meeting except for the purpose of "vitalizing the psychological aspects" of the program. The Government fears that an interim meeting might produce: (a) disappointingly limited results which would lead to adverse publicity; and (b) "bickerings for allocations" which would antagonize the US Congress and jeopardize the program.

EUROPE

3. FRANCE: Cabinet to consider opening of Spanish border--US Ambassador Caffery has learned from a reliable source that Bidault is going to request Cabinet authorization to negotiate with the Spanish Government concerning the opening of the French-Spanish frontier. Caffery's source believes that Cabinet approval probably will be given.

4. GREECE: Yugoslavia refuses to consider Greek protest--The Greek Charge Belgrade has informed US Ambassador Cannon

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Date: 10 Mar 78 By: 028

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that the Yugoslav Foreign Office has returned as "non-receivable" the Greek Government's 27 December 1947 note protesting Yugoslavia's extension of press and radio facilities for the promulgation of Markos' "free Greek government" declarations.

NEAR EAST-AFRICA

5. PALESTINE: Arab states seen as fearing foreign domination--
 US Ambassador Wilson reports the conclusion of former Premier Rauf Orbay (Turkey's leading elder statesman and a close friend of Arab state leaders) that the Arabs will never accept the partition of Palestine because they believe that a Zionist state, unable to survive without outside support, would ultimately involve the destruction of Arab independence through foreign domination. According to Orbay, the Arabs do not consider current US support for Zionism imperialistic, but they fear that the Zionists may eventually turn to "some other major power" which would exploit the situation against the Arabs. Orbay added his personal belief that the only peaceful solution is for the UN to declare partition unworkable and to create a single federated state; he believes that the Arabs would accept numerical parity with the Jews in such a state, provided Jewish acquisition of land was restricted.

FAR EAST

6. INDONESIA: Dutch may accept proposal for settlement of crisis--
 The US Delegation to the GOC reports that the Netherlands delegation may shortly accept as a basis for political settlement with the Republic the principles which were submitted by US representatives in order to avert a breakdown in negotiations (see Weekly Summary of 9 January, page 11). The US delegation considers it essential that the Department of State continue to press the Dutch Government to accept these principles. According to US

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Embassy The Hague, Dutch acceptance of the agreement is "predicated on the signature of a truce agreement and its thorough-going implementation by the Republic."

(CIA Comment: Dutch insistence on "thorough-going implementation" of the truce affords the Dutch a significant escape clause and an opportunity to regain liberty of action in case the Republic is unable to enforce its order to cease fighting.)

7. KOREA: Rightists to support UN Commission--Political
Adviser Langdon reports that the South Korean leftists, estimated at "less than 25%" of the electorate, will boycott the UN-observed elections and that the moderates will splinter over the issue of "separatism" when it becomes apparent that the Commission will be forced by Soviet boycott to restrict its activities to South Korea. Langdon concludes that the rightists will consequently cooperate fully with the Commission and that a "monolithic rightist regime will emerge" from the elections.

(CIA Comment: Rhee Syngman, who has recently won effective control of the Korean Right, has consistently striven for dictatorial rule over a separate South Korean Government and can now be expected actively to cooperate with the Commission as long as such cooperation favors his ambitions.)

8. CHINA: Communists confident of victory--US Ambassador Stuart, reporting his analysis of the 25 December 1947 statement of Mao Tse-tung, Chinese Communist leader, is impressed chiefly by: (a) Mao's "note of triumphant conviction" that the Communists will be victorious in China; and (b) his "continuous and vitriolic attacks on the US" as "a major enemy of the people of China." He observes further that there is a striking similarity between the argument and invective of Mao and that of other Communist leaders throughout the world.

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9. SIAM: Possible split in present regime --According to US Embassy Bangkok, the UK Ambassador has learned from a reliable source that the Abhaiwong Cabinet has been warned by the military clique in the coup movement that failure to observe the wishes of the military group may result in the replacement of the Cabinet. The UK Ambassador added that the first reaction of the Cabinet was to resign but it has since decided to carry on until the elections at the end of January. Embassy Bangkok comments that another coup may be precipitated by the friction developing between the Government and the military group.

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GENERAL

1. Communists believed planning "purge" of WFTU--Important trade union leaders in Paris have expressed to US Embassy Paris the conviction that the Kremlin has decided to bring the World Federation of Trade Unions (WFTU) completely under its control even at the cost of a split with the British Trades Union Congress and the CIO. These leaders believe that instructions have been given to Soviet and Communist leaders of the WFTU to "purge" it of non-Communist elements and to turn it into an organization similar to the Third International.

(CIA Comment: Soviet tactics at the November 1947 meeting of the WFTU Executive Bureau did not support these views but rather a desire to postpone action on any issue which might break up the WFTU.)

2. US views on sale of US military equipment to Italy--The Department of State has informed US Embassy Rome that no legal authority is available for the transfer of any significant quantities of US military equipment to the Italian armed forces without reimbursement by Italy of the cost and handling charges. Accordingly, the Embassy is instructed to explain to De Gasperi the obstacles involved and to ascertain from the Italian Government what equipment is necessary and whether the Government will agree to pay for it.

EUROPE

3. TRIESTE: Lack of finances undermining AMG--US Political Adviser Joyce believes that Trieste's budgetary deficit threatens to undermine completely the Anglo-American position in the FTT unless something is done immediately. (AMG funds will be exhausted by 15 January; see Weekly Summary of 9 January, page 4.) Joyce considers it unrealistic to rely on Italy to assume the financial burden of AMG; he suggests that the necessary funds be procured: (a) from the US Army; (b) through a Government-guaranteed loan from some fiscal agency or bank in Washington; or (c) by earmarking some of Italy's interim aid for AMG

Document No. Trieste ⁰⁰NO CHANGE in Class.

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DDA Memo, 4 Apr 77

Auth: DDA Memo, 77/1763

Date: 10 MAR 79 By: 028

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NEAR EAST-AFRICA

4. SAUDIA ARABIA: ARAMCO official discouraged about pipeline-- US Minister Childs transmits the opinion of Vice President Duce of the Arabian-American Oil Company that, so long as the Palestine situation remains unstabilized, it is doubtful whether the Arab governments would be able to protect the proposed Saudi Arabian-Lebanon pipeline, even if Syria finally authorized the passage of the line through its territory. As a solution to the Palestine situation Duce proposes that the US urge the Zionists to come to terms with the Arabs on the grounds that the alternative would be armed intervention and the US has no intention of so intervening.
5. INDIA: Pakistan's military position considered weak--The US Military Attache in Karachi believes that Pakistan cannot support a war in any form because of limited military supplies and further points out that the dominion is admittedly unsuccessful in preventing looting and raiding by the armed tribesmen in the West Punjab area adjacent to India. The MA adds that Pakistan leaders not only welcome UN intervention in the Kashmir dispute but also hope that the UN will recommend the use of neutral troops in maintaining order along the border and in Kashmir.

FAR EAST

6. INDONESIA: Dutch accept US proposals--The US delegation to the GOC reports that the Netherlands Government has accepted the text of the US delegation's proposals (see Daily Summary of 12 January, item 6) and that the Indonesian Republic will be urged to accept also. The US delegation believes that the Republic will probably sign a truce agreement on 14 or 15 January.

The Netherlands Foreign Office has informed US Embassy The Hague that Dutch acceptance of the US proposals has been difficult to obtain, and has expressed the hope that a cease-fire agreement will be duly implemented.

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(CIA Comment: The Republic has been unwilling to sign a truce agreement until some political settlement could be reached with the Netherlands. The grounds for such a settlement exist in the US proposals. However, the realization of GOC objectives will depend upon the Republic's success in controlling its forces and upon Dutch willingness to regard these Republican efforts as sincere.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 10 May 79 By: 029 GENERAL

1. Meeting of CEEC again recommended--US Embassy London expresses the view that it would be desirable for the US to capitalize on widespread British support for European cooperative action by urging the UK to take the lead in calling a CEEC meeting devoted primarily to self-help measures. The Embassy feels such a meeting would be useful for both its substantive accomplishments and as evidence to the US of continuing European efforts.

British labor movement attitude toward USSR shifting--US Embassy London reports an accumulation of evidence indicating that the UK labor movement is rapidly shifting from a policy of appeasement of the USSR and Communism to a "more vigorous defense of British interests."

2. UK-Yugoslav trade agreement likely--The UK Foreign Office has informed US Embassy London that a UK-Yugoslav trade agreement (under negotiation since 18 August 1947) now appears likely. According to the Foreign Office, the agreement will be similar to the UK-USSR agreement and will not provide for the shipment of any UK materials which might augment the Yugoslav war potential.

3. UK considered to be capitalizing on Palestine stand--US Minister Childs in Jidda considers it very evident that the UK is improving its position with the Arab states by taking advantage of: (a) the favorable atmosphere created in the Arab world by the refusal of the UK to become involved in the imposed partition of Palestine; and (b) the "extremely unfavorable position" in which all-out support of partition has placed the US.

EUROPE

4. TRIESTE: Italians to make funds available--An Italian Foreign Office official has informed US Ambassador Dunn in Rome that

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the Italian Treasury will make available immediately one billion lire for AMG Trieste. Dunn adds that the Foreign Office is pressing the Treasury for an additional two billions. Responsible AMG officers point out that three billion lire will be sufficient for AMG expenses until 15 February but that an additional five billions will be required prior to the end of the fiscal year on 15 March.

5. FRANCE: Alleged Communist plan for military activities-- US Ambassador Caffery in Paris has obtained from French Communist sources a report that the principal task of the recent Italian Party Congress at Milan was to "coordinate military activities of French, Italian, Swiss, and Spanish Communist parties." These sources say that the strategic plan, which is to be placed in operation in case the Kremlin decides that the international situation demands extreme action, would place the southern littoral of France under Communist control from the Spanish frontier to Switzerland, and inland centers, such as St. Etienne, would become "Soviet bases" connected with northern Italy. The informants add that the French and Italian Communists admit that they were recently obliged to make a "strategic retreat" and intend to reorganize in accordance with lessons learned in the recent "dress rehearsal" in France and Italy.

(CIA Comment: Although such a plan may have been considered, it is extremely unlikely that this plan would be implemented under present conditions. CIA considers that such a program will not be attempted unless: (a) Communist strategists estimate that the French Government is too weak to resist; (b) the Communists have gained control of northern Italy, from which area the operations in France can be directly supported; and (c) it appears reasonably certain to the Communist strategists that such a move would not provoke US intervention.

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6. ITALY: Communist propaganda campaign--US Military Attache Rome reports that the Milan Congress established a new Communist propaganda campaign which would blame all the ills of Italy on US imperialism in order to "demonstrate that eventual Communist-led revolutionary moves are forced on the Party by US interference." The Military Attache believes that an intensification of the Communist offensive is indicated by pledges taken by the Congress to attain power in Europe at any cost.
7. POLAND: Top-level Polish mission leaves for Moscow--US Embassy Warsaw reports that a group of top-level Polish Government leaders, including the Socialist Premier, the Communist Vice Premier, and the Minister of Industry, have left for Moscow in order to attend discussions on the future pattern of Soviet-Polish trade and the repatriation of Poles from the USSR. The Embassy comments that the "high-powered character" of the mission indicates that the agenda also includes a discussion of methods of combatting the European recovery program.

(CIA Comment: By calling top Polish Socialists to Moscow, where the opportunity for bringing pressure to bear is greater than in Warsaw, the Communists may also be planning to force through a fusion of Socialist and Communist parties in Poland.)

NEAR EAST-AFRICA

8. INDIA: Views on Indo-Pakistan dispute--A former close associate of Gandhi has informed US Consul General Macdonald in Bombay of his belief that Gandhi's fast is a protest against an Indo-Pakistan war, which Gandhi "undoubtedly" believes to be inevitable. The former associate expressed the opinion that India will declare war against Pakistan before the UN concludes deliberations on the Kashmir dispute. (The associate, Kanji Dwarkadas, is an astute observer of Indian affairs who has long been friendly with both Congress Party and Moslem League leaders; he has no political affiliations.)

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Meanwhile, the US delegation to the UN reports that the Indian representative who will present India's case on Kashmir to the SC has reiterated the claim by India that it prefers solution of the problem by the SC to a settlement by force.

(CIA Comment: It is believed that India will not take precipitate action unless the Kashmir situation deteriorates further and/or the case in the SC appears to be going contrary to Indian interests.)

FAR EAST

9. INDONESIA: Republic slow to accept GOC proposals--The US delegation to the GOC reports that Dutch representatives would be satisfied with Republican acceptance of the GOC's truce plan by 15 January and the formal signature of a truce on 16 January. The US delegation believes, however, that the Republic will take as much time as possible to reach a decision.

10. FRENCH INDOCHINA: Prospective use of Bao Dai forces--US Embassy Paris has been informed by the French Foreign Office that Bao Dai has agreed to make the military forces of his projected government available for the defense of the French Union. According to the Foreign Office, France will in turn supply Bao Dai's government with arms to fight the Vietnam Republic under Ho Chi Minh and will withdraw French forces first from the north to Cochin China and finally from all of Indochina. (The French have already made plans to withdraw French troops to Cochin China in order to combat Vietnam guerrilla groups in that area; see Weekly Summary of 9 January, page iv.)

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Auth: DDA Memo, 4 Apr 77
DDA REG. 77/1763

GENERAL

Date: 10 Mar 70 By: 026

1. US policy regarding containment of Satellite airlines--The Department of State has advised US diplomatic missions in Europe and the Near East that it now believes that the advantages of preventing Satellite air expansion to Western Europe are over-balanced for the present by the advantages resulting from the restoration of normal transportation between Eastern and Western Europe through the granting of air rights to Satellite airlines. The Department, however, considers air rights to the Middle and Near East to be "in a different category" and hopes that the Greek and Turkish Governments will continue to deny access to Satellite airlines.

The Department desires an opportunity to discuss with the Italian Government any Satellite air agreement prior to its conclusion.

2. Strong US statement on Dimitrov speech--US Minister Heath in Sofia recommends that the Department of State publicly refute Prime Minister Dimitrov's recent speech in the Bulgarian National Assembly. Heath characterizes the speech as a "taunting sneer" at US impotence and believes it jeopardizes the "honor and good faith" of the US. Heath adds that by failing to react publicly to this bald challenge, the US would be acquiescing in the Bulgarian Government's mockery of the Bulgarian peace treaty and encouraging it to continue policies which can only lead to war.

EUROPE

3. TRIESTE: Italy hopeful of treaty revision--The chief of the Italian Economic Mission in Trieste has given US Political Adviser Joyce the impression that Italy hopes no governor of Trieste will be appointed and a treaty revision will return Trieste to Italy. The Italian official indicated that this prospect would ensure Italian cooperation in financing the zone.

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4. **FRANCE:** Gaullists believed obstructing Government program-- US Ambassador Caffery believes there are definite indications that the Gaullists and groups of the so-called Center and moderate Right are obstructing the Schuman Government's recovery program. Caffery observes that although De Gaulle remained silent during the Government's test of strength with the Communists, the General and his representatives stepped up their attacks on the Government as soon as it showed signs of weathering the storm. Caffery has emphasized to De Gaulle's advisers that any deliberate attempts by the Gaullists to undermine the Schuman Government will be very damaging to De Gaulle's prestige in the US.

5. **HUNGARY:** Government leaders reportedly to be replaced-- A reliable source has advised US Minister Chapin that Prime Minister Dinnyes and Minister of Defense Veres, both non-Communists, will be ousted from the Hungarian Government within two or three weeks for refusing to permit the recruiting of volunteers for the Greek guerrillas.

NEAR EAST-AFRICA

6. **SAUDI ARABIA:** Critical stage of relations with US-- US Minister Childs transmits from Jidda his opinion that the US is approaching, if it has not already passed, a decisive stage in its relations with Saudi Arabia. Childs believes that King Ibn Saud may abandon hopes of maintaining close political relations with the US and may return to his previous policy of relying more upon his political relations with the UK.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763 GENERAL

Date: 10 Mar 76 By: 026

1. **Imminent Balkan Federation rumored--US Military and Naval Attaches Bucharest transmit "possibly true" reports that a Balkan Federation (comprising Yugoslavia, Bulgaria, Albania, Rumania, and Hungary) will be officially announced at an early date. Most of these reports indicate that Dimitrov will be president, Tito will head the armed forces, and the capital will be in Bucharest.**

(CIA Comment: Despite numerous reports of an imminent Balkan Federation which have come from the Satellite states recently, CIA still believes it unlikely that such a Federation is imminent; see Weekly Summary of 5 December 1947, page 4. These reports have differed widely concerning such details as the participating countries, the head of the new state, and its location, and consequently appear to be based more on rumor than knowledge of concrete plans. The recurrence of these rumors at this time more probably indicates that the Kremlin has instructed the Communist parties in Eastern Europe to initiate preliminary discussions for the implementation of an economic and political federation. CIA believes that considerable time will elapse before a solution can be found to the complex political, economic, and administrative problems involved in establishing such a federation.)

2. **USSR closes Consulate at Los Angeles --The Soviet Ambassador has told the Department of State that the Soviet Vice Consulate in Los Angeles will be closed because Soviet merchant ships are making fewer calls at the port of Los Angeles and that interests formerly served by the Vice Consulate will be taken over by the San Francisco Consulate General.**

(CIA Comment: Although few Soviet vessels now call at the Los Angeles port, this Soviet action appears to have been motivated primarily by a desire to weaken the US bargaining position in obtaining the Consulates it seeks in the USSR.)

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EUROPE

3. **FRANCE: French desire inclusion in bizonal consultations--**
According to US Political Adviser Murphy, members of the French delegation in Berlin report Bidault's view that the US and the UK announced the German bizonal merger without adequate consultation with the French, as had been promised by the US, and have thereby presented him with a virtual fait accompli. Bidault has expressed to US Ambassador Caffery an urgent desire for a more sympathetic US consideration of his position, which he claims has been made "well-nigh untenable."
- US Embassy London reports that the UK Foreign Office wishes General Clay to hold a joint US-UK meeting with the French delegation in Germany in order to give the latter a face-saving opportunity to express its views on economic proposals connected with the merger. Murphy reports, however, that General Clay has turned down a similar suggestion made by the French delegation.
4. **AUSTRIA: Austrian Government to increase ration level--**
US Commanding General Keyes in Austria reports that the Austrian Government plans, as a political necessity, to raise the normal ration level from 1700 to 1800 calories at the end of March. The Government bases its plan on present indigenous production and expected subsistence shipments under the US foreign aid plan. Keyes considers that retention of the present ration level would postpone the critical food situation anticipated on 23 May by only a few days, and has no objection to the increase.
5. **SPAIN: Vatican prefers Spanish constitutional monarchy--**
Acting US Political Representative Parsons at the Vatican has learned from the British Legation that Vatican Under Secretary of State Tardini has tried unsuccessfully to modify the views of Spanish bishops who feel that Franco is a necessary protection

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to the Church. Parsons reports further that Tardini prefers a constitutional monarchy for Spain rather than a republic because of the danger that the extreme left would out-maneuver moderates and thus gain control.

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DDA Memo, 4 Apr 77

Date: DIA F. 77/1763

GENERAL

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1. French concern over Communist infiltration in Italy--US Ambassador Caffery in Paris has been informed in strictest confidence that the Italian Government proposes to send to Paris as military attache a "militant Communist" who would be assigned "to aid in coordinating military efforts of the French and Italian Communist Parties." Caffery's informant says the French consider this nomination "incredible and shocking" and that they have increasing evidence that the Italian Foreign Office is so thoroughly infiltrated by Communists that all French conversations in Rome are "completely known by Communists within twenty-four hours."

EUROPE

2. GREECE: Griswold concerned by gold situation--AMAG Chief Griswold, has expressed concern over the "atmosphere of panic and lack of confidence engendered by the soaring gold rate," and urgently recommends that the US authorize the release of \$2 million of Greek gold (now in the New York Federal Reserve Bank) for use, under AMAG supervision, in bolstering the Greek currency. Griswold adds that during the last month the gold policy has developed into the foremost economic and political issue.

(The gold sovereign has become, in effect, the "real" currency in Greece. The Government uses the device of selling gold on the open market as a means of preventing a gold panic and of halting rapid declines in the value of the drachma.)

Coalition government believed likely to collapse--US Charge Rankin reports that the continuing strain within the present coalition government is such that the government is unlikely to survive more than two months at most. Rankin indicates that there is a "widespread feeling" that the present coalition is an "unnatural and ineffective fusion

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of two jealous and incompatible groups held together only by US pressure." Rankin believes that the US must continue to support the present government as long as possible but should remain flexible in order to facilitate necessary adjustments. Rankin points out, however, that repeated US pressure to save the government will sooner or later be strongly resented by Greek leaders and the public.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

By: 10Mm78 GENERAL

1. France and UK propose European recovery consultations--
US Ambassador Caffery reports that the French and British Governments have informed the other CEEC countries of their decision not to reconvene the CEEC at this time because of US concern that such action might be interpreted as an attempt to dictate aid conditions. They propose instead that: (a) each country prepare a statement of its recovery achievements since the Paris Conference; (b) the British and French prepare, as a basis for future consultations, a draft report on economic co-operation to date among the 16 nations and on possible future steps; and (c) the 16 countries undertake mutual discussion of the multilateral organization to be set up under the European recovery program and of the establishment of a working party to work out the details of this organization.

2. Protest against arrest of US officers in Hungary urged--US Minister Chapin in Budapest recommends that the US enter a prompt and vigorous protest to the USSR concerning the "indefensible" action by Soviet troops in arresting two US Army officers in Hungary. Chapin adds that for the first time in dealing with the Soviet Government in Eastern Europe the US has a local Communist Government as well as the USSR "over the barrel."

3. Early Balkan Federation would be defensive move--US Ambassador Cannon in Belgrade believes that an early declaration of a Balkan Federation (see Daily Summary of 16 January, item 1) would not necessarily be a sign of "strength for aggression" but would indicate a consolidation for defense against possible US moves.

4. UK policy on military aircraft sales--A high UK Foreign Office official has informed US Embassy London that Secretary Marshall's "strongly expressed opinion" against British acceptance of further

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Latin American orders for jet or bomber aircraft is now under consideration by the Cabinet. The official added his personal view that the Cabinet would follow a Foreign Office recommendation to reject a recent Argentine order for jet aircraft. (The UK has completed delivery to Argentina of an earlier order for 100 jet fighters and 30 conventional 4-engine bombers.)

EUROPE

5. ITALY: French inaction on customs union worries Italy--
A representative of the Italian Foreign Office has informed US Embassy London that he is concerned over apparent French apathy to publication of the report on the proposed French-Italian customs union. The Italian official suggested that the US drop a hint to the French that signs of progress on the customs union negotiations would favorably influence US Congressional debate on the European recovery program.

NEAR EAST-AFRICA

6. GREECE: US authorizes release of Greek gold--The Department of State has notified AMAG that it approves the latter's recommendation that \$2 million of Greek gold now in the New York Federal Reserve Bank be released for use in stabilizing the Greek currency (see Daily Summary of 17 January, item 2).

FAR EAST

7. FRENCH INDOCHINA: French view of Bao Dai conversations--
US Ambassador Caffery in Paris has been informed by a member of the French Cabinet that the recent Geneva conversations with former Annamite Emperor Bao Dai were "mostly camouflage" to show that Bao Dai is "no French stooge" (see Daily Summary of 8 January, item 9). According to the Cabinet minister, the only

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disagreement arose in connection with French insistence that there be some parliamentary representation from genuine supporters of President Ho Chi Minh, but not Ho himself, while Bao Dai wants no real opposition.

(CIA Comment: French interest in a parliamentary opposition apparently arises from the recognition that the success of a Bao Dai Government depends upon some support from all political groups, including Ho's Viet Minh.)

8. KOREA: Attitude of UN Commission--US Political Adviser Langdon reports that all members of the UN Commission are equally earnest in wishing to leave "no stone unturned" to get Russian and North Korean cooperation. Langdon adds that the Canadian member has indicated that in the event of Soviet boycott he favors seeking instructions from the UN Interim Committee.

(CIA Comment: CIA believes that the Commission will probably refuse to proceed with an immediate election for South Korea alone. If the settlement of this question is considerably delayed, following its submission to the "Little Assembly," the newly-formed South Korean Rightist "National Council" will take advantage of this setback to US policy by demanding immediate recognition as the government of Korea.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 Mar 78 By: 028 GENERAL

1. UN Commission to charge UK with failure to cooperate--The secretary of the UN Palestine Commission has informed the US delegation that the Commission's 1 February report to the SC will probably charge the UK with failure to observe the provisions of the GA resolution for progressive withdrawal from Palestine. According to the Secretary, the UK delegate recently informed the Commission that it could not arrive in Palestine until two weeks prior to the British departure with all civil service personnel and that the UK would consider the employment of British nationals by the new Palestinian states to be a violation of neutrality. The Secretary considers that, under these conditions, the Commission can not go to Palestine.

(CIA Comment: The UK will undoubtedly continue to maintain the position it took repeatedly during the last GA session: that the UK will not assist in the implementation of any plan not acceptable both to Arabs and Jews, and that it will insist on the exercise of undivided control until the termination of its mandate.)

2. Spaak wishes US participation in defense arrangements--In a conversation with US Charge Millard in Brussels, Premier Spaak has emphasized his desire for some indication of US policy in Africa and of possible military requirements in that area. Spaak remarked that France and the UK had inquired concerning Belgian participation in an European defense pact but that he thought such a pact would be meaningless because of Germany's present position, unless it is meant as a veiled defense measure against the USSR. Spaak believes that any defense arrangements which do not include the US will be without practical value.

Spaak's views on European recovery--US Charge Millard also reports the following views of Premier Spaak on various aspects of European recovery: (a) the European initiative to reconvene the CEEC was a good one; (b) European

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trade is suffering from a "descending spiral" and has become a system of balanced barter because of financial limitations and the difficulty of liquidating blocked credits; and (c) he is skeptical of a recent report that France wishes to join the Benelux customs union.

3. Bizonal consultations explained to France--In answering the French protest on German bizonal reorganization (see Daily Summary of 16 January, item 3), the Department of State has advised the French Government that General Clay has been requested to furnish French military officials in Berlin with complete information on the Frankfurt proposals and to transmit to the Department the views of the French authorities. The Department explains that the recent proposals were intended only to make the bizonal economic organization more workable and expresses the readiness of the US to hold tripartite discussions for the development of a German political organization at the appropriate time.

EUROPE

4. FRANCE: Schuman asks US support for exchange proposal--US Ambassador Caffery relays the personal appeal of Prime Minister Schuman to Secretary Snyder for support of the new French foreign exchange proposal before the International Monetary Fund. On the basis of the French Minister of Finance's conversations in London, Schuman expects that the British will oppose the French proposals and will sponsor instead a simple devaluation of the franc, because of British apprehension that multiple rates of exchange would result in a substantial discount for sterling. Schuman believes that a sacrifice of the French proposal would endanger the whole economic program of his Government.

Foreign Minister Bidault has expressed to Caffery a suspicion that part of the British opposition stems from British Labor Party irritation at the partial abandonment

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by the Schuman Government of the directed-economy principle. Bidault maintains that the French will push the proposal regardless of British opposition. Caffery strongly recommends the acceptance of Schuman's proposal.

De Gaulle return believed still possible--US Military Attache Paris comments that although the return of General de Gaulle is by no means inevitable, it remains possible. The MA believes that even if the Schuman Government succeeds in overcoming the worst features of the economic crisis, De Gaulle will profit from popular resentment of extreme economic measures. The MA adds that the present slight majority of the Government might be swung over by signs of a Gaullist ascendancy.

5. GERMANY: Possible use of troops to collect food--General Clay has announced that in addition to remedial administrative measures in the collection of food, it may eventually be necessary to use US troops for such collections.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 10 May 76 By: 028 GENERAL

1. Benelux invited to study proposed French-Italian union--
According to US Ambassador Caffery in Paris, the French Foreign Office has suggested that the Benelux countries join in a study of the report of the French-Italian customs union committee. Caffery reports the opinion of French Foreign Minister Bidault that a customs union with Benelux "would be very interesting" but that one with Italy alone "would have little practical application."

(CIA Comment: CIA believes that the Benelux countries will approach the French suggestion with caution because of their fear that France would dominate such a customs union. Benelux would probably consider more favorably a customs union on a wider European basis.)

2. British plans for Saudi Arabian defense treaty--The UK Foreign Office has informed US Embassy London of the general terms of a proposed Saudi Arabian treaty which would provide Saudi Arabia with British assistance in case of attack. The Foreign Office told the Embassy that the UK hopes to obtain rights to the use of Saudi Arabian facilities in time of war or threat of war, and the use of communications and other facilities in peacetime.

The British Ambassador in Jidda has informed US Minister Childs that King Ibn Saud has favorably received proposals for a UK-Saudi Arabian treaty. Childs comments that the British Government "has virtually overnight replaced the US in the confidence of the King" and adds that "US stock has never been lower with the Saudi Arabian Government than it is today."

3. Dutch and Danes resent UK-French postponement of CEEC--
US Charge Bonsal in The Hague reports that the Netherlands Government objects to the Anglo-French announcement postponing a new meeting of the Committee for European Economic

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Cooperation (CEEC) without conferring with other participating nations. The Dutch feel that the British and French have no authority thus to commit other countries and should no longer consider themselves as "sponsoring" powers. In deference to Dutch objection, the British and French agreed not to take action of this sort in the future without consultation with some of the participating countries.

US Ambassador Marvel in Copenhagen has been informed by the French Ambassador that the Danish Government has rejected a British suggestion that the three Scandinavian countries meet in Stockholm to discuss the European recovery program. The French Ambassador reportedly believes that in suggesting Sweden as the place for such a conference, the UK tactlessly failed to recognize Danish initiative and cooperation in the CEEC.

EUROPE

4. ITALY: Italian reaction to US military aid proposals --Premier De Gasperi has indicated to US Ambassador Dunn a desire to learn further details concerning terms of payment for the possible transfer of US military equipment to Italy (see Daily Summary of 13 January, item 2). De Gasperi observed that the expenditure of as much foreign exchange as contemplated might expose him to vigorous attack from the Left.

De Gasperi also has expressed to Dunn the view that any landings of US combat planes on Italian airfields would embarrass the Italian Government at the present time and would assist the Communist campaign against "American imperialism." Dunn concurs in this view and strongly urges that the plans for US air exercises be held in abeyance pending further developments in the Italian political situation (see Daily Summary of 7 January, item 1).

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5. **PORTUGAL: Improved prospects for Azores agreement--**
US Ambassador Wiley reports that he has been assured by the Portuguese Minister of War that the US "need have no concern whatsoever" about the Azores agreement. The Minister reportedly indicated that the text of the operational agreement will be interpreted very generously by his Government.

6. **AUSTRIA: Figl to consult US before commitments to USSR--**
According to US Minister Erhardt, Chancellor Figl has assured General Keyes that the Austrian Government will not make commitments to the USSR involving Austrian sovereignty or well-being without prior consultation with US representatives on the Allied Control Council.

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Auth: DDA Memo, 4 Apr 77
DDA REG. 77/1763

GENERAL

Date: 10 Mar 78 By: 028

1. No US gain from early Japanese treaty foreseen--The US and UK Embassies in Moscow believe that the USSR would not be willing to join in an 11-power conference on the Japanese peace treaty. The US Embassy considers that the USSR prefers to stay outside such treaty negotiations and that the US consequently would gain nothing by an early treaty with Japan.

(CIA Comment: CIA concurs in the opinion that the USSR is unlikely to join in such an 11-power conference.)

2. France prescribes reciprocal representation with USSR-- According to US Ambassador Smith in Moscow, France has notified the USSR that representation and visas between the two governments hereafter will be on a strictly reciprocal basis.

(CIA Comment: This strong French stand against Soviet abuse of diplomatic privileges, which appears indicative of France's determined alignment with the Western Powers, will place further strain on Soviet-French relations.)

3. Early Rumanian recognition of Markos government foreseen-- The US Military and Naval Attaches in Bucharest transmit as "possibly true" [redacted] that the Rumanian Government is "seriously studying" the question of according recognition to the Markos government in Greece. (According to US Minister Marvel in Copenhagen, the Swedish Minister has learned [redacted]

[redacted] that Rumania will shortly recognize the Markos government.)

(CIA Comment: The USSR may consider that recognition of Markos by Rumania, rather than by the other Satellites, would involve less risk of direct conflict with the US, because Rumania is geographically removed from Greece and is not directly involved in the border disputes.)

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EUROPE

4. FRANCE: Withdrawal of French exchange proposal requested--
A French Foreign Office official has informed the US Embassy in Paris that the managing director of the International Monetary Fund has appealed to the French Government to withdraw its foreign exchange proposal in the form presently submitted (see Daily Summary of 20 January, item 4). The French official, who believed that the appeal was supported by the US, considers that the director wishes to avoid bringing the French proposal to a vote because of strong opposition from the UK and Canada. The Embassy requests a clarification of the US position in this matter.

5. BULGARIA: Soviet military personnel may total 5,000--The US Military Attache in Sofia believes that Soviet military personnel in Bulgaria "may total up to 5,000." He transmits a report that a number of Soviet field grade officers are arriving in civilian clothes from Rumania for temporary duty to replace purged Bulgarian Army officers.

The MA adds that a number of Soviet officers, formerly engaged in border security measures for the Allied Control Commission in Bulgaria, are still in the country and may be aiding the Greek guerrillas.

6. GREECE: Coalition government reportedly strengthened--
US Charge Rankin reports that a meeting of the Greek Inter-party Coordinating Committee has taken place in a conciliatory atmosphere and has resulted in at least temporary reinforcement of the coalition cabinet's status (see Daily Summary of 17 January, item 2).

(CIA Comment: Even though the Populists and the Liberals of the coalition are now publicly exhibiting a conciliatory attitude, the basic incompatibility of the two parties is expected to bring about a change of government in the near future.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10 Mar 78 By: 028

1. Czechoslovakia rejects Bulgarian treaty draft--The US Military Attache in Prague reports that the Czechoslovak Foreign Office has rejected the Bulgarian draft of the proposed Czechoslovak-Bulgarian treaty of mutual assistance (see Daily Summary of 6 January, item 2). The Czechoslovak Government insists that the treaty be directed against Germany only, rather than against "any attacker." The MA believes that Bulgaria will accept the Czechoslovak proposal and that the danger of a Czechoslovak-Bulgarian alliance against Greece is eliminated "for the moment."

EUROPE

2. FRANCE: Government intends to proceed with franc proposals--US Ambassador Caffery reports that Premier Schuman has addressed a message to the US and to the UK stating that France is unable to withdraw its proposals for French monetary reform. Schuman's message reportedly declares that if these proposals are defeated, the French Government will have "to resign or to proceed regardless."

(CIA Comment: In view of the Schuman Government's slim Parliamentary majority, a major policy defeat could easily cause its downfall. Such an event would constitute the national catastrophe predicted by De Gaulle and necessary for his return to power.

Cabinet authorizes French-Spanish border negotiations--Ambassador Caffery has been informed that the French Cabinet has now authorized negotiations with Spain for the gradual re-opening of the French-Spanish frontier. According to Caffery, Foreign Minister Bidault has declared that, although he dislikes Franco, he wishes to improve relations with Spain for "realistic reasons." Bidault reportedly prefers a "step-by-step" reopening of the frontier because of his fear that the Spanish may attempt to convey the impression that they have won a victory and France has been humiliated.

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French-British defense alliance proposed to Benelux--
A French Foreign Office source has told Ambassador Caffery that French and British representatives have proposed to the Benelux countries an alliance similar to the French-British pact of March 1947. Caffery's source anticipated that there would be no difficulty in concluding such a pact.

3. GERMANY: Ruhr strikes believed genuine popular protest--
Acting US Political Adviser Riddleberger reports from Berlin his belief that the present Ruhr strikes and demonstrations represent a "genuine popular protest against outrageous conditions" and that Communist influence, while important, is not a dominant factor. Riddleberger also reports that non-Communist union leaders have been drawn into the demonstrations to avoid loss of membership support but have maintained order. He foresees civil disorder, if the emergency program should fail.

(CIA Comment: CIA concurs fully in this estimate of the situation in the Ruhr.)

FAR EAST

4. INDONESIA: Pessimism over truce implementation--US Consul
General Livengood in Batavia reports increasing pessimism concerning the 17 January Dutch-Indonesian truce. The Dutch are disturbed by the reservations which the Republic has made in accepting the "six principles" for political settlement of the Good Offices Committee (GOC), which the Dutch themselves had accepted unconditionally. On the other hand, Republican officials are reported to believe that they have been "buffaloed" into accepting the truce. The Dutch feel that the Republic cannot or will not implement the truce. Responsible observers have expressed doubts that evacuation of forces from demilitarized zones will proceed satisfactorily. Livengood warns that the problems of implementation will be difficult to solve, and he considers serious friction possible.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10 Mar 78 By: 029

- 1. Spanish Government-in-exile discontented in France--A French Foreign Office official has told US Ambassador Caffery that the "Spanish Republican Government-in-exile" is dissatisfied with the French attitude toward General Franco and has hinted to the French Government that it may transfer its headquarters to Belgrade because "it is not afforded sufficient facilities to operate."

(CIA Comment: Because the present Government-in-exile contains no Communist representation, a move to Belgrade is unlikely at this time. Nevertheless, the "hint" is symptomatic of growing discouragement among the exiles over the possibility of sympathetic assistance from France and the other Western Powers.)

EUROPE

- 2. GREECE: Extensive guerrilla operations believed imminent--The US Military Attache in Athens, in a comprehensive analysis of Greek guerrilla capabilities and probable intentions, concludes that: (a) new guerrilla attacks may be expected in the near future because the guerrilla forces must take the offensive soon if they are to gain their immediate objectives (to create maximum Greek economic chaos and to establish control over an area which will become "Free Greece") before US aid and reorganization of Greek military forces becomes fully effective; (b) present guerrilla dispositions indicate that attacks on the scale of the recent Konitsa battle are most likely to occur in the border regions of the Grammos Mountains and northwestern Greece, or Thrace; (c) widespread local attacks, designed to demoralize the people and create confusion, will continue in other areas; (d) present guerrilla strength

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now consists of approximately 20,000 men and may be increased to 28,000 by 1 March; and (e) the guerrilla forces are becoming increasingly well-organized into divisions and brigades and will soon be equipped with mountain artillery but probably not with tanks or aircraft.

The MA believes that despite increased guerrilla strength the expected attacks can be contained by the Greek Army and Air Force unless the guerrillas receive open foreign assistance. The MA considers, however, that if the guerrillas can successfully seize and hold border territory, Satellite recognition of the Markos government may follow and that responsibility for holding the territory might then be turned over to "international brigades" or to adjacent Satellites.

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DDA Memo, 4 Apr 77

GENERAL

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Auth: 10 MAR 77 By: 028

European recovery consultations begin in Rome--The Italian Foreign Office has informed US Embassy Rome that British and French representatives have arrived in Rome for consultations on the European recovery program (see Daily Summary of 19 January, item 1). The Embassy reports that the representatives have included on their agenda a re-study "in the light of present circumstances" of the applications for assistance which were submitted at the Paris Conference. The Embassy adds that Italian representatives intend to suggest the establishment of several regional organizations within the larger European organization for the coordination of recovery problems.

(CIA Comment: The proposed re-study of the Paris Conference aid requirements suggests that the Italians and French, whose recovery has been set back by recent strikes, may on this account seek an increased share of US aid.)

Effects of delay in recovery program studied--The Department of State has suggested to US missions in Rome, Paris, and Vienna that European recovery program assistance may not be available until 1 July and has requested: (a) appraisals of the resultant economic hardship and political consequences; and (b) recommendations on the extent and timing of other assistance needed to avoid these consequences.

FAR EAST

- 2. CHINA: Possible Sino-Soviet rapprochement--US Embassy Nanking notes the possibility that the USSR has offered to mediate the Chinese civil war and that an increasing number of National Government officials are inclined to accept such an offer. The Embassy cites a report that the Soviet Military

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Attache in Nanking, prior to his recent departure for Moscow, suggested that the Chinese Government seek Soviet good offices to end the war. Moreover, the Embassy has been informed by a Chinese official that members of the Political Science Group (a Kuomintang faction which controls a number of prominent government posts) now strongly favor rapprochement with the USSR and desire that Chiang Kai-shek depart from China in order that such an understanding might be facilitated.

3. PHILIPPINES: Defense Secretary proposes mission to US--
The US Military Attache in Manila reports that the Philippine Secretary of National Defense has expressed a desire to come to Washington on an official mission. According to the MA, the Secretary wishes to discuss US policy concerning the defense of the Philippines and to determine what assistance the US will provide "in preparation for and during the next emergency."

THE AMERICAS

4. NICARAGUA: Revolutionary activity--The US Military Attache Managua has been informed that the "probable starting date" of a revolutionary attempt against Somoza has been set for 26 January. The Embassy reports that because of "the widely recognized tense situation" Americans residing in the "danger zone" are being advised to take the necessary precautions.

(CIA Comment: General Somoza will use every means at his disposal to suppress the current wave of revolutionary activity which is fairly well organized and is apparently receiving support from sources within Guatemalan territory. CIA estimates that Somoza will succeed in suppressing the coup unless: (a) a substantial portion of the National Guard deserts him for the revolutionaries; and (b) the Guatemalan Government actively supports the anti-Somoza forces.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

GENERAL

Date: 10 Mar By: 028

- 1. US urges UK to suspend arms shipments to Arab states --
 Under Secretary Lovett has informed the British Ambassador in the most urgent terms that continued British arms shipments to the Arab states will make it almost impossible to withstand organized US public pressure for lifting of the US embargo on shipment of arms to Palestine. Lovett asked the Ambassador to suggest to his Government that the UK: (a) make a flat statement that it will continue its embargo on shipment of arms to Palestine except for maintenance of internal security; and (b) suspend all shipment of arms to Arab states pending a clarification in the UN of the "present confused situation."

EUROPE

- 2. FRANCE: Devaluation measure believed likely to pass --
 US Ambassador Caffery comments that although the current parliamentary debate on the Government's devaluation program will subject the Schuman Government to serious stress, most observers believe the Government will probably "squeak through with a slender majority." Caffery believes that because the Communist bloc and most of the Gaullist parliamentary group will solidly oppose the Government, the Government's ability to win a majority vote will depend primarily upon the support of the Center. He observes that the support of the Socialists is uncertain because of their concern over present differences with the British Labor Party and with the International Monetary Fund.

(CIA Comment: CIA concurs in this analysis of the current situation in the Assembly and believes that the Government's measure for a free market in gold will pass by a small majority.)

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3. AUSTRIA: Austrians optimistic on Soviet treaty proposals--
US Minister Erhardt reports that Austrian officials are optimistic concerning the pending Austrian treaty because of their belief that initial Soviet demands for German assets indicate a willingness to bargain. According to Erhardt, Austrian officials feel that US interest in attaching Austria to the western orbit is strong enough so that some way will be found to provide the dollars necessary for the settlement of the Soviet claims. Erhardt comments that Austrian disillusionment and corresponding political repercussions would be very great if such a settlement should fall through.

(CIA Comment: CIA believes that the USSR will almost certainly seek to extract additional concessions from the Austrian Government before agreeing to any final settlement.)

4. GREECE: Guerrilla radio reports order for hostage-taking--
According to US Embassy Athens, the guerrilla radio has announced a "democratic" guerrilla army order for the taking of hostages. The Embassy further quotes the guerrilla broadcast as offering the release of a Liberal member of Parliament captured last week, if four specified leftist leaders are released by the Greek Government and allowed to leave the country.

(CIA Comment: The guerrilla announcement presages the return of a period of bitterness and harsh treatment of prisoners by both sides, such as characterized the civil war of 1944-45 when hostages were taken, and in many cases killed, by both Government forces and ELAS.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 10 MAR 78 By: 028 GENERAL

1. Palestine report to omit criticism of British--The US delegation to the UN has learned that the 1 February report of the UN Palestine Commission will not be severely critical of the UK but will point out that the British stipulations concerning the arrival of the Commission in Palestine will make it impossible to establish provisional governments by 1 April (see Daily Summary of 20 January, item 1). The Commission feels that the British should have a chance to answer certain questions, following which the Commission will make a special report on the Palestine security problem.
2. UK-French conversation on defense against USSR--Armed Forces Minister Teitgen has told US Ambassador Caffery that General Revers, French Chief of Staff, has conferred informally with British Field Marshal Montgomery concerning military cooperation among Western European countries in case of future Soviet aggression and that an agreement in principle was reached on the necessity for such cooperation. According to Teitgen, Revers agreed with Montgomery's statement that any eventual plan of defense must necessarily include Spain, and both agreed that every effort should be made to have the fighting done in Germany rather than on the western side of the Rhine.

EUROPE

3. FRANCE: Schuman may resort to vote of confidence--According to US Ambassador Caffery, it is generally felt that Schuman will have to resort to a vote of confidence in

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connection with the Government-sponsored, free gold-market bill. Assembly President Herriot's administrative assistant has expressed to Caffery the personal view that the Socialists might "reluctantly" support the Government in such a vote of confidence.

(CIA Comment: The Socialists' desire not to facilitate the return of De Gaulle will probably overbalance their dislike of the "free economy" principles underlying Schuman's proposal.)

4. ITALY: Communist Party plans all-out election effort--The US Military Attache in Rome reports that the Sixth Communist Congress at Milan has decided not to abandon attempts to gain power in Italy at the spring elections, and will employ "all-out" legal and semi-legal methods in the pre-election campaign. The MA believes that the use of force by the Communist Party prior to the elections is improbable.

(CIA Comment: CIA concurs with this estimate of Italian Communist intentions.)

5. AUSTRIA: Wheat situation serious--US Commanding General Keyes in Austria reports that the non-arrival of two of the four expected wheat ships has created "a most serious situation." Keyes comments that the failure of the US to produce food shipments when due is a powerful Soviet propaganda weapon and has been fully utilized by the USSR. Keyes adds that the US has no food reserves in Austria and the present Austrian hand-to-mouth existence could result in a serious jeopardy of the US aid program if an emergency occurs.

(CIA Comment: Any reduction in the food ration during the present treaty negotiations would probably weaken the Austrian Government's resistance to Soviet pressure.)

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6. **USSR: Reduction of Soviet personnel in US urged--**
US Ambassador Smith recommends that, because of the Soviet Government's continued refusal to discuss the curtailment of vital incoming US Embassy supplies, he be authorized to inform the Foreign Office that the total number of Soviet personnel in the US must be reduced to 120 persons, the number which the US is permitted to maintain in the USSR.

(CIA Comment: Several measures adopted recently by the Soviet Government appear designed to impair the normal operations of the US Embassy in Moscow. Such measures include: (a) the arrest or intimidation of Soviet nationals employed by the US; (b) further restriction of contacts between Embassy personnel and Soviet citizens; (c) increase in personal living costs and in the operating expenses of the Embassy; and (d) obstruction of US efforts to open an authorized consulate in Leningrad.)

FAR EAST

7. **FRENCH INDOCHINA: French military operations in Cochin China--**
The US Assistant Naval Attache in Bangkok reports that the French have launched military operations in Cochin China with a task force of 12,000 men (see Weekly Summary of 9 January, page iv). The Assistant NA indicates that this campaign is generally admitted to be the last large-scale offensive that the French can attempt with present equipment and manpower and adds that forces for this operation were gathered with difficulty.

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Auth: DDA Memo, 4 Apr 77
DDA REG. 77/1763

GENERAL

Date: 10 MAR 78 By: 028

1. UK views on western European union--A high UK Foreign Office official has remarked to US Embassy London that while it will be difficult to work out the details of the western European union (as proposed by Bevin in general terms), the "force of necessity would compel a coming together and working together of western European countries in some form of union." The official also voiced the view that it will be essential to develop economic and security cooperation simultaneously and along parallel lines.

EUROPE

- 2. UK: Effects of possible delay in recovery aid--The UK has informed US Embassy London that if implementation of the European recovery program is delayed until July, or if the assistance appears likely to be inadequate, the UK "will be driven to take further steps" to protect the reserve position of the sterling area. The Embassy concurs with the British estimate that by 30 June the sterling area gold and dollar reserves will be below the figure previously regarded as the necessary minimum. The Embassy comments that the "main problem" is to eliminate soon the uncertainty of the UK over the size and timing of recovery aid and to give assurance that UK reserves will be replenished promptly and fully if they are risked.

- 3. ITALY: Pope concerned over coming elections--The Pope has expressed to a US Embassy Rome attache his great concern over the election outlook in Italy and his feeling that

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the Socialist-Communist bloc could very easily win a plurality. According to the attache, the Pope emphatically agrees that all anti-Communists should form a bloc in order to give the electorate a clear choice between Communism and anti-Communism but is adverse to the inclusion of the Saragat Socialists because their philosophy is "un-Christian."

(CIA Comment: Present indications are that the Communist bloc and De Gasperi's Christian Democrats will receive approximately equal percentages of the votes. Because the Saragat Socialists and other moderate leftist groups are the only parties which can compete with the Communists for workers' support, their exclusion from any anti-Communist bloc would greatly weaken it.)

4. FRANCE: French expect reopening of Spanish border soon--
A French Foreign Office official has told US Ambassador Caffery that the conversations with the Spanish concerning the reopening of the Spanish border will probably be completed within 10 days. The official expressed the hope that the border can be opened to personal traffic soon and to merchandise in transit through France and Spain at some later date. The Foreign Office also hopes within the next several months to negotiate a revised general agreement for economic exchanges with Spain. According to the official, the French wish to announce the result of the negotiations in a joint communique, but the Spanish wish to issue a separate announcement.

(CIA Comment: The Spanish Government's wish to make a separate announcement is evidence of its firm intention to exploit the border opening as a Spanish diplomatic victory. Franco is determined to demonstrate that he is being welcomed into the anti-Communist camp.)

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Auth: DDA Memo, 4 Apr 77

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GENERAL

Date: 10 Nov 79 By: 028

1. Tripartite talks on German problems planned--The Department of State has informed Ambassador Murphy in Berlin that the US has accepted a suggestion of the British Foreign Office that US-UK talks on long-range German problems begin in London on 16 February and that tripartite talks with the French be opened on 19 February. The French have been informed of the preliminary US-UK discussions.

EUROPE

2. FRANCE: Appraisal of Government's economic program--Governor Monick of the Bank of France has submitted to US Ambassador Caffery the following appraisal of the French Government's economic program: (a) price and distribution controls have been tried in France for some years and have proved unsuited to the needs and temperament of the French people; (b) the Government's program for national recovery will have to be adopted in its entirety in order to prove effective; and (c) the Government is convinced that effective economic stabilization will require several months and will depend both upon the successful implementation of the European recovery program and an improvement in the food situation during the summer months.
3. AUSTRIA: Soviet treaty proposals--US Legation Vienna is inclined to interpret the recent Soviet treaty proposals more as evidence that the USSR has fundamentally altered its policy on the Austrian treaty than as indications that the USSR wishes

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to prolong negotiations and shift the onus for failure to reach a settlement to the US. The Legation adds that the USSR has partially recovered the tactical advantage, because even if agreement is reached on current proposals, such issues as the Yugoslav border, demilitarization, and denazification could still block the treaty. The Legation reports that all Austrian political leaders believe that the Soviet offer should be taken seriously and the maximum effort made for reasonable settlement.

(CIA Comment: CIA believes that the fundamental policy of the USSR in Austria remains unchanged. Although the USSR may be prepared to reach a final settlement on the main economic issues involved in the Austrian treaty, it is probable that Soviet leaders will prolong negotiations in order to extract further concessions from the western allies on the remaining treaty issues and from the Austrian Government on other outstanding Soviet claims.)

4. GREECE: AMAG recommends immediate enlargement of Army--
AMAG Chief Griswold reports from Athens his concurrence with US General Livesay's recommendations that the authorized strength of the Greek National Army be raised immediately to 150,000 and that an additional \$25 million be added to the US military aid budget for the current fiscal year. Griswold considers that: (a) speedy action is essential in view of the Army offensive scheduled for mid-April; and (b) unless the guerrilla groupings are "definitely broken" in the next six months, deteriorating political and economic conditions are likely to jeopardize the US objectives. (The recommended 150,000 ceiling for the Army would permit an increase of 10,000 over temporary authorized strength and an increase of 30,000 over permanent authorized strength.)

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NEAR EAST-AFRICA

5. IRAN: Agitation for recovery of Bahrein increases--US
Ambassador Allen in Tehran reports that high Iranian Army officials have indicated that the Iranians are making plans to occupy the island of Bahrein and that a bill authorizing such an expedition is to be rushed through Parliament. Allen comments that the Iranians "have completely lost their heads over Bahrein."

(CIA Comment: Iran's untenable claim to Bahrein would be strenuously opposed by the Arabs and by the UK, which controls Bahrein.)

6. INDIA: US to be given secret pledge of support against USSR--
According to US Charge Donovan in New Delhi, the Indian representative to the UN has been instructed to reassure the US that in the event of armed conflict between the US and the USSR, India would necessarily side with the country which espoused the "ideals of freedom and democracy for which India stands." Donovan's informant, a leading Indian official, commented that India has avoided open support of the US only because no good would be accomplished thereby. The official added that his statement was not being transmitted to the US by the Indian Ambassador because of "lack of confidence" in him.

(CIA Comment: This expression of India's attitude is undoubtedly a bid for US support in the Kashmir dispute. CIA considers that Prime Minister Nehru's recent declaration--that in any future conflict India would align itself with the side on which its interests then lay--is more representative of India's policy.)

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EUROPE

Date: 10 Mar 78 By: 028

1. USSR: Implications of Dimitrov disavowal--US Embassy
Moscow and US Legation Sofia interpret the 28 January
PRAVDA article on Dimitrov (which disavows Dimitrov's
recent predictions of a Balkan customs union and federation)
as an indication that Dimitrov will be reduced to a secondary
position in the Communist hierarchy. The missions believe
that the Kremlin was motivated in this action by a desire to
impress upon Dimitrov and other Communist Satellite leaders
that the USSR will tolerate no deviation from the Party line
of direct Soviet control over the Satellites.

2. CZECHOSLOVAKIA: Agreements with US urged--US Charge
Bruins in Prague recommends that the US give moral support
to the non-Communists in Czechoslovakia by negotiating a
commercial agreement and a cultural convention with the
Czechoslovak Government and by publishing in Czechoslovakia
US documents on the true story of the liberation of Prague.
Bruins believes that these steps would encourage the people
to express their real feelings in the May elections despite
Communist pressure and would offer at negligible risk "a
good hope of success in containing Communism on this front."

NEAR EAST-AFRICA

3. TRANSJORDAN: UK to continue Arab Legion subsidy--US
Embassy London has learned that the UK Foreign Office has
recommended the continued subsidy of the Transjordan Arab
Legion because the UK "cannot afford to see any stabilizing
force in the Middle East disintegrate at this time."

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GENERAL

1. UK now favors partition of Trieste--The US delegation at the UN has been informed by the British delegation that the UK Foreign Office now favors a policy of facilitating an agreement between Yugoslavia and Italy for the partition of the Free Territory of Trieste. Accordingly, the UK delegation will not press charges against Yugoslavia for failure to comply with the UN statute on Trieste and will attempt to postpone any Security Council discussion of Trieste (including the selection of a Governor) until 15 March.

(CIA Comment: The USSR and Yugoslavia favor the early implementation of the Trieste Statute by the UN because they believe it to be the most likely means of obtaining control of the entire Territory.)

2. Request for reduction Soviet personnel in US authorized--The Department of State has authorized US Embassy Moscow to request the Soviet Government to reduce the number of its representatives in the US to the number which the US is able to maintain in the USSR (see Daily Summary of 28 January, item 6).

EUROPE

3. AUSTRIA: Serious results of delay in ERP--US Minister Erhardt declares that a delay until 1 July in authorizing the commencement of assistance under the European recovery program would cause a "most critical situation in Austria"

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and would result in a ration reduction to approximately 800 calories a day (the present ration is 1700). Erhardt comments that lack of food would: (a) bring a sharp decline in production and morale; (b) jeopardize political and economic gains resulting from previous assistance; (c) endanger the basic purpose of the European recovery program; and (d) give the USSR and the Communists an advantage which they have never enjoyed in Austria. Erhardt points out that because of the administrative and transportation gap between the authorization of aid in the US and the arrival of food in Austria, relief must be authorized in early March in order to arrive by 23 May, the date on which food already programmed will be exhausted.

(CIA Comment: CIA agrees with Erhardt's analysis and believes it very unlikely that the present Government could survive even a temporary drastic reduction in the basic ration.)

FAR EAST

4. KOREA: Attitude of UN Commission--US Political Adviser Jacobs reports that: (a) a majority of the UN Korean Commission is opposed to an immediate election for South Korea alone; and (b) will probably refer the problem to the UN Interim Committee without making any recommendations for the solution of the problem. Jacobs believes that the US will shortly be confronted with the necessity of arguing its case for holding separate South Korean elections before the Interim Committee.

THE AMERICAS

5. ARGENTINA: Grains offered US at world market prices-- According to US Ambassador Bruce, Foreign Minister Bramuglia has declared that the Argentine Government is prepared to negotiate the sale of all or any part of its surplus grains to the US

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at world market prices. Bramuglia reportedly said that the Argentine Government has made this proposal because it considers the ability to purchase US machinery at market prices more important than being able to obtain above-market prices for Argentine grains elsewhere.

6. VENEZUELA: Government prepares for air attack--US
Embassy Caracas reports that the Venezuelan Government is alerting the country against possible air attack and is taking defense precautions. The Foreign Minister alleges that Trujillo agents are in Colombia and are in contact with dissident elements in Venezuela.

(CIA Comment: The Venezuelans have previously expressed fears of an attack from the Dominican Republic. CIA doubts that President Trujillo is planning an open attack, but believes that he would be glad to assist any move to overthrow the Betancourt Government provided he could not be officially implicated in the conspiracy.)

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GENERAL

1. Franks may be new British Ambassador to US--US Embassy
London reports "well-founded rumors" that Sir Oliver Franks will in the near future be appointed to replace Lord Inverchapel as UK Ambassador in Washington. (Franks, who is 42 years old, gave up an academic career in 1939 when he entered the Ministry of Supply, there rising rapidly to Permanent Secretary of the Ministries of Supply and Aircraft Production. More recently, he has been chief British representative on the Committee for European Economic Cooperation. He is reputed to be both an excellent scholar and an outstanding administrator.)

2. Dimitrov believed not to have lost Soviet esteem--US Ambassador Caffery reports that there are no signs in Paris that Dimitrov has been discredited as a result of the PRAVDA editorial disavowing his statement regarding a Balkan federation (see Daily Summary of 31 January, item 1). According to Caffery, qualified observers in Paris consider instead that the Bulgarian Premier is the victim of a sudden change in Kremlin tactics.

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DDA REG. 77/1763Date: 13 Mar 78 By: 028

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GENERAL

1. Top Rumanian officials called to Moscow--US Minister Schoenfeld in Bucharest reports that all major Rumanian cabinet ministers were summoned to Moscow on 31 January. Schoenfeld speculates that the ministers were summoned because the Kremlin (a) believes the Satellites have gone "too far too fast" and consequently desires to lay down a modified party line, particularly in regard to Greece, and (b) wishes to discuss major changes in the Rumanian Government consequent to the planned fusion of the Communist and Socialist parties and the formulation of a new constitution.

(CIA Comment: It is also likely that such a meeting was called in order to conclude a new long-term Soviet-Rumanian trade agreement similar to the recent pacts signed with the USSR by Poland and Czechoslovakia.)

EUROPE

2. SPAIN: Vatican outlines its policy toward Spain--Vatican Under Secretary of State Tardini has informed Acting US Representative Parsons that the Vatican is in "full agreement" with US policy on Spain (see Daily Summary of 19 December 1947, item 3). According to Tardini, the Vatican advocates that a sympathetic attitude toward the Spanish people be substituted for the present anti-Franco pressure and be demonstrated by the sending of ambassadors to Spain. Concerning Franco and Don Juan, Tardini reports that: (a) efforts to bring them together have been close to success several times; (b) Franco might be willing to leave the Government if he could be made Chief of Army, a condition

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Don Juan does not accept; and (c) Don Juan is overhasty to gain power and Franco is in too little hurry to relinquish it.

Parsons remarks that Tardini sees the "evolution of the Spanish state in terms of prior agreement at the top rather than a broad measure of agreement among different Spanish elements" as a preferable method of guaranteeing the interests of the Church. Parsons believes that the Vatican may currently be active in facilitating negotiations between Don Juan and Franco.

(CIA Comment: CIA believes that an agreement between Franco and Don Juan is not an early possibility and that, even if made, such an agreement would give Spain only temporary stability because the forces supporting such a government would be too narrowly based. The Vatican's preference for such an arrangement is not in accord with the US policy of seeking the emergence of a broadly-based Spanish Government.)

3. BELGIUM: Precautions taken against Communist activity--
The US Military Attache in Brussels reports that the Belgian Government and Army are taking seriously a rumor of Communist action at the end of February or during March. The MA cites as evidence Belgian plans to: (a) return military units from Germany; (b) alert gendarme, commando, and parachute units; and (c) call up air force and police reserves. The MA adds that all plans are precautionary and states his belief that no actual danger is probable.

(CIA Comment: CIA believes that serious Communist violence in Belgium is a distinct possibility, but would be attempted only in conjunction with similar action in France, and is not likely to occur before the middle of March.)

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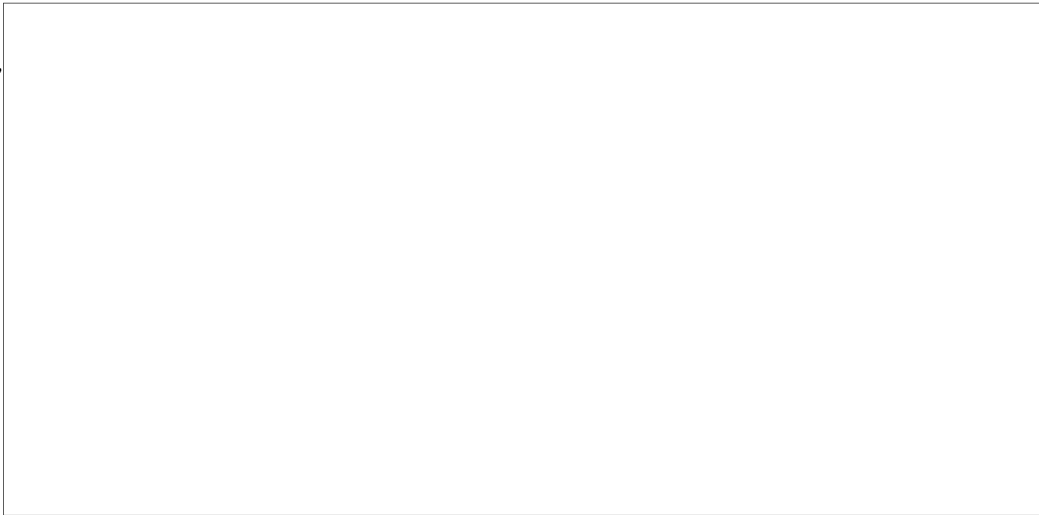
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GENERAL

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- 2. UK concurs with US view of French Government--According to US Embassy London, the UK Foreign Office agrees with the US view that any developments threatening the stability of the present French Government would be cause for serious concern. A high Foreign Office official stated that UK negotiators in the franc devaluation issue were directed not to press matters to the point where the Schuman Government would be overthrown.

EUROPE

- 3. AUSTRIA: Views on Soviet treaty proposals--US Ambassador Smith in Moscow agrees with the view of US Legation Vienna (see Daily Summary of 30 January, item 3) that the Kremlin is probably seeking to effect an Austrian treaty settlement rather than to prolong negotiations and shift blame for the

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delay to the US. Smith reports indications that the USSR fears: (a) possible development of US Zone Austria as a US advance military and air base; and (b) potential economic integration of Austria into the Western Zones Germany and the European recovery program. Smith doubts that the Kremlin believes Austria can be Sovietized, and he points out that the withdrawal of all occupation forces would be a strategic gain to the USSR because it would leave a feeble Austria outflanked on both sides by Satellites. Smith adds that withdrawal of US and UK forces would leave Austria unsupported against Yugoslav pressure and would further expose Trieste.

(CIA Comment: The views of CIA on the Soviet treaty proposals remain unchanged; see Daily Summary of 30 January, item 3. Moreover, CIA considers it unlikely that the USSR is prepared to sacrifice its position in Austria merely to obtain a quadripartite troop withdrawal. The presence of Soviet forces in eastern Austria gives the USSR: (a) an effective bargaining weapon in treaty negotiations; and (b) a means of bringing constant pressure on the Austrian Government.)

NEAR EAST-AFRICA

4. SAUDI ARABIA: US policy on Palestine explained--US Legation Jidda has been instructed to explain US policy regarding Palestine to the Saudi Arabian Government along the following lines: (a) US support of the partition of Palestine was motivated by US public opinion, the majority report of the United Nations Special Committee on Palestine, and the urgency of the problem; (b) no US officials responsible to the Executive Branch exerted any pressure on other countries for partition; and (c) the US is prepared to firmly oppose any expansionist designs by the Jewish state in Palestine. The Legation is to express the hope that Saudi Arabia will use its influence to dissuade the other Arab states from

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resorting to armed opposition to the UN decision or to actions which "may undermine the present order of the whole Middle East."

Renews plea for US military assistance--US Minister Childs in Jidda has transmitted two memoranda from King Ibn Saud asking for prompt consideration of Saudi Arabia's request for military supplies and equipment and for a military training mission from the US (see Daily Summary of 19 December 1947, item 1). Prince Feisal, who delivered the memoranda, told Childs that recent developments made it imperative that Saudi Arabia strengthen itself against possible aggressors. Prince Feisal declared that further treaty negotiations with the British would be delayed until the US position had been made clear.

FAR EAST

5. KOREA: Probable delay in elections--US Political Adviser Jacobs has learned from the UN Korean Commission that: (a) the Commission is pessimistic regarding the prospects of a solution to the Korean problem; (b) the Commission will consider its future course of action and then consult with the UN Interim Committee; and (c) because of probable delay by the Interim Committee, it will be impossible to hold elections in South Korea until the first part of May. (Up to the present, four members of the eight-man Commission have apparently favored immediate elections for South Korea alone, two have opposed, and two have been non-committal.)

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GENERAL

1. Palestine Commission members consider revising partition--
The US delegation at the UN has learned that two members of the UN Commission on Palestine (Chairman Lisicky of Czechoslovakia and Federspiel of Denmark) are presently considering the possible revision of the partition recommendations. Federspiel reportedly favors the calling of a special session of the General Assembly in order to decide whether to create a Palestinian federal state with considerable local autonomy for the Jews or to place all Palestine under international jurisdiction until some new solution can be found. Lisicky reportedly considers it may be advisable to send to Palestine a force of French troops, supplemented by troops of "certain middle powers," to maintain the international status of Jerusalem. He also is considering the possibility of a US-UK arrangement with King Abdullah for sending troops to Palestine, and for agreeing to the establishment of a Jewish state with modified frontiers, in return for a plebiscite to determine the possible annexation of an Arab Palestine by Transjordan.

2. USSR may act favorably on Embassy demands--US Ambassador Smith in Moscow believes there is "a fair chance" that the USSR will come to a favorable decision concerning incoming US Embassy supplies, and he therefore suggests that the US wait for as long as "two or three more weeks" before making the request that the number of Soviet representatives be reduced to the number which the US is able to maintain in the USSR (see Daily Summary of 28 January, item 6).

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EUROPE

3. **FRANCE: Communists plan demonstration--US Embassy**
Paris reports that the Communist General Confederation of Labor (CGT) has called upon workers to demonstrate on 8 February for wage revisions. The Embassy believes that these demonstrations, which represent the first Communist national efforts (since the recent strikes and the split in the CGT) to determine worker support and to revive social disorder, will not be followed by large-scale strike action until the full effect of current price rises is felt by the workers.

(CIA Comment: CIA believes it unlikely that the Communists will renew large-scale efforts to disrupt French production and economic recovery in the immediate future.)

FAR EAST

4. **SIAM: Possible new anti-Royalist coalition government--**
The US Embassy, US Military Attache, and CIA sources in Bangkok report that Field Marshal Phibul intends to form a coalition government, including Elder Statesman Pridi (now in Singapore) and former Premier Thamrong, following a mass rally on 8 February. The basis for such a coalition is believed to be the common opposition of these leaders to Royalist plans for the forced abdication of the present King (now in Switzerland) and the elevation of Prince Chumbhot to the throne. The Royalists propose to have the Abhaiwong Government denounce the present King as accidentally responsible for the death of his brother King Ananda, on 9 June 1946. [redacted]

(a) [redacted] opposed to the deposition of the present King, are acting as intermediaries for a rapprochement between Thamrong and Phibul; and (b) Pridi may be cleared of charges of complicity in the King's assassination and urged to return to Siam.

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(CIA Comment: Phibul's realignment with Pridi, Tham-rong, and the navy against the monarchy would represent a repetition of the situation in 1932 when these same army, navy, and civilian officials united to overthrow the absolute monarchy.)

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EUROPE

1. **FRANCE: Communist mass action expected in Spring**-- US Embassy Paris reports that qualified non-Communist labor observers are convinced that the Communists are actively preparing for various forms of mass action, probably in April or May, when the General Confederation of Labor will be able to estimate more accurately the total number of its dues-paying adherents. The Embassy adds that public demands by Communist labor leaders for constant revision of wages indicate that the Communist aim is to keep France in a "permanent pre-revolutionary ferment" until the moment for decisive action. The Embassy notes a growing fear that the non-Communist Force Ouvriere may feel compelled to go along with Communist wage demands.

According to the Embassy, the Communists are reportedly encountering considerable lethargy among the workers but are making rapid progress among the agrarian population, because of the "indignation" aroused among farmers and farm workers by the various stringent measures which the Government has recently taken to salvage the national economy.

(CIA Comment: CIA concurs with this estimate of present Communist tactics and objectives.)

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GENERAL

1. US to delay Trieste governor appointment--The Department of State has recommended that the US delegation to the UN continue to forestall efforts by the Security Council to choose a governor for Trieste and that the delegation should charge Yugoslavia with failure to observe fundamental human rights in its zone. The Department considers that US policy in Trieste cannot be crystallized until after the Italian April elections but stresses that the US does not "intend to see Trieste fall into Yugoslav hands."

EUROPE

2. ITALY: Measures proposed to defeat Communism in Italy--US Ambassador Dunn has suggested that the US take the following measures in order to assure the defeat of the Communists in the Italian April elections: (a) continued support of the present Government, including the sending of sufficient wheat to prevent a reduction in the bread rations prior to the elections; (b) the prompt dispatch of military equipment to Italy; (c) the allotment of campaign funds to the Socialist Party of Italian Workers which alone appears capable of weaning workers away from the Communists; and (d) a further statement of US policy toward Italy designed to convince the Italians that they cannot "combine the advantages of aid from the West with that of political safety and benefits from the Soviet Union."
3. BELGIUM: Spaak believes firmness toward USSR succeeding--Prime Minister Spaak has expressed to US Charge Millard in Brussels the following views concerning the USSR: (a) the policy

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of firmness toward the Soviet Union is succeeding and must be continued; (b) the USSR seems to be "showing signs of fear," and the Soviet position is defensive; (c) although the Soviet ambition regarding the Turkish Straits remains, the USSR does not wish now to conquer all Europe; and (d) Greece must be held at all costs.

FAR EAST

4. FRENCH INDOCHINA: Possible arbitration in Vietnam dispute--
The Assistant Naval Attache in Bangkok has received the impression in a conversation with the chief of the French Surete that liberal French officials in Indochina might accept US arbitration in the French-Vietnam dispute.

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GENERAL

- 1. Indian request to delay Kashmir case in UN--The US delegation to the UN reports that both the British and Canadian delegations are concerned by India's request for an indefinite postponement of the Security Council's consideration of the Kashmir problem in order to permit the Indian delegation to return to Delhi for consultation. The Canadian delegation considers this Indian action a subtle attempt to carry out India's earlier threat to go home, if it failed to obtain what it wanted in the SC. The UK delegation is greatly disturbed by this development and feels that the Indian delegation is unlikely ever to come back to the UN, if it returns to Delhi. The UK delegation believes that the SC cannot "afford to show weakness to the Indians; if it did, the chances of a reasonable settlement would be severely reduced."

FAR EAST

- 2. CHINA: Critical ammunition shortage in Manchuria-- on 6 February by General Wei Li-huang, new Nationalist commander in Manchuria, that the five US-equipped divisions in the Mukden area will be completely without ammunition within one week. On 8 February, General Wei indicated that the five divisions could hold out for two weeks if they were kept on the defensive. Source adds that General Wei made an urgent request that US authorities send ammunition by air from Korea. Wei emphasized to source that he is extremely anxious to save Manchuria (where he declares he has been given a free hand by the National Government) but is almost helpless without the requested ammunition.

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3. **KOREA: Early elections for South Korea urged--US Political Adviser Jacobs believes that elections should be held for South Korea "at the earliest possible date" so that a government can be established for the 20 million Koreans in that area. Jacobs feels that, because delay suits the purposes of the USSR, the decision of the UN Korean Commission to refer the problem back to the Interim Committee is regrettable. He urges that every effort be made to keep extraneous issues from entering the Interim Committee's debate and that the UN directive for proceeding with elections in South Korea be "emphatic but simple."**

The Department of State has informed US missions in countries represented on the UN Korean Commission of the US view that the Commission should continue its labors and should observe elections wherever conditions in Korea permit.

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GENERAL

1. Soviet position on Balkan Federation--US Embassy Moscow reports its belief that, although a Balkan Federation under Communist domination has long been an international Communist concept, current possibilities for direct Soviet domination of the Satellites have made such a federation seem much less attractive to the Kremlin. According to the Embassy, the Kremlin now believes that the simplest and surest formula for assuring Soviet control over the Satellites is to incorporate them eventually in the USSR.

(CIA Comment: CIA agrees that the Kremlin does not contemplate a formal Balkan Federation for the immediate future; see Weekly Summaries of 30 January, page 5, of 5 December 1947, page 4, and of 7 November 1947, page iii.)

2. Delegates to Havana ITO Conference pessimistic--The Acting Chief of the US delegation at the Havana Trade Conference reports the unanimous feeling of the eight major nations supporting the International Trade Organization that the conference must complete a charter within the next ten days or abandon the undertaking. He adds that the protracted length of the conference has exhausted all participants and consequently has induced general pessimism as to its prospects. He therefore believes that a final showdown must be precipitated.
3. China willing to propose partition reconsideration--A member of the Chinese delegation at the UN has informed the US delegation that China is prepared, if the US should find it useful, to propose a special session of the General Assembly in order to

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consider a three to five-year UN trusteeship plan for Palestine. The Chinese delegate feels that China could get considerable support for such a proposal and believes it would afford an escape from the present impasse.

EUROPE

4. ITALY: Attempted sabotage by Arab sympathizers--The Commander of US Naval Forces in the Mediterranean reports that on 5 February a time bomb was attached to the hull of a Panamanian ship in an Italian port and that three similar occurrences in recent months appear attributable to Arab sympathizers. He has alerted his forces to the necessity for insuring adequate security measures to protect US ships and has pointed out that conditions at Trieste render ships in that harbor particularly vulnerable.

NEAR EAST-AFRICA

5. SAUDI ARABIA: Agreement to partition thought impossible--After presenting the recapitulation of US Palestine policy (see Daily Summary of 5 February, item 4) to the Saudi Arabian Foreign Minister, US Minister Childs in Jidda reports his own conviction that no assurances by the US can alter King Ibn Saud's implacable opposition to the partition of Palestine. Childs believes that even if the King were convinced that acceptance of the UN partition decision was statesmanlike, he would be restrained by the internal and external repercussions which would follow any attempt on his part to modify the Arab attitude. Childs comments that the King's refusal to take steps against US economic interests has already brought him under attack in the Arab League.

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FAR EAST

6. SIAM: US prepared to recognize Abhaiwong Government--The Department of State has informed the British, French, and Chinese Governments that the US is prepared, in consonance with these Governments, to consider prompt recognition of the Siamese Government as soon as Khuang Abhaiwong is re-appointed prime minister and the new government is formed. The Department believes that: (a) the recent elections apparently were conducted fairly and represent a strong vote of confidence for the Khuang provisional government; and (b) recognition might strengthen the Khuang government vis-a-vis the Phibun military group and assist in stabilizing the political situation.

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GENERAL

1. UK seeks understanding with US on Antarctica--US Embassy London reports that the UK desires to obtain US-UK agreement on a procedure to be followed in settling the present territorial disputes in Antarctica. The UK is opposed to a general conference as proposed by Argentina and also rejects any settlement providing for UN trusteeship because such settlement would create an opportunity for Soviet entry into Antarctica. The UK is expected to press for a US-UK agreement before the Bogota conference and apparently desires that the US take the initiative in calling a conference of interested countries, including Australia, New Zealand, Norway, and the South American nations.

2. UK views on Western European union--Bevin has informed US Embassy London that little progress can be made in drawing up concrete proposals to implement a Western European union until it is known what aid will be available under the European recovery program. According to a Foreign Office official, the UK Cabinet will on 12 February discuss: (a) whether the treaty involving the UK, France, and the Benelux countries should be directed against Germany or against all aggressors; and (b) the procedural methods to be followed in framing such a pact.

NEAR EAST-AFRICA

3. SAUDI ARABIA: King comments on US policy--US Minister Childs transmits an aide memoire from King Ibn Saud in reply to the recent note from the Department of State explaining US

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policy regarding Palestine. Ibn Saud reiterates his implacable opposition to partition. He appreciates that US support of partition was motivated by US public opinion and emphasizes that Arab leaders also must follow a policy which coincides with the prevailing public opinion in their countries. He adds that friendship links his country with the US in the economic field and in "the mutual firm stand against the mutual threat" and expresses the hope that the US will find a way out of the "critical and dangerous" position in which it has been placed through its support of the Zionists. The King reiterates that he cannot accept the "aggressive decision of the UN" and censures the US for suggesting that he use his influence with the Arab states in persuading them to accept partition.

4. IRAN: Soviet note possibly preliminary to troop entry--The Department of State has pointed out to US Embassy Tehran that the recent Soviet note to Iran may be intended as a "warning" prior to the introduction of Soviet troops into northern Iran and that the USSR may try to make a "plausible" legal case for such action on the basis of the 1921 Soviet-Iranian Treaty. The Department therefore believes that Iran should file the Soviet note and the Iranian reply with the UN which is still seized of Iran's case against the USSR.

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GENERAL

1. Possible Soviet plans for Poland-- JS Ambassador Smith in Moscow believes that the provisions in the new Polish-Soviet economic agreement for the investment of capital equipment by the USSR in Poland and in Polish-administered Germany reflect a long-range Kremlin decision "never to let go of eastern Germany" and to develop Poland as the first Satellite to be incorporated into the USSR. Smith adds that "if the east-west cleavage continues and deepens, the absorption of Poland might well take place in the not too remote future."

(CIA Comment: CIA concurs in the belief that the USSR intends to hold eastern Germany and eventually to incorporate the Satellites into the USSR. However, because absorption of Poland would increase anti-Communist opposition and add to the security problem of the USSR, the Kremlin will probably not order such a step until all latent opposition to such a plan has been eliminated.)

EUROPE

2. FRANCE: Bidault says next 90 days critical--Foreign Minister Bidault has stressed to US Embassy Paris the critical character of the next 90 days, but he is convinced that "come what may" the Communists will not come to power. He added that continued US support of Schuman would have great influence on the wealthy French bourgeoisie who are now withholding support from the Schuman Government.

Blum's views on French political situation--Leon Blum has expressed to US Embassy Paris his opinions that: (a) the

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present Government is harmonious and has a "good chance of muddling through" the immediate vital period; (b) the Communists are trying to maneuver De Gaulle into power before making their own bid for authority; and (c) if De Gaulle returns to power, he would be obliged to "wring the Communists' neck" and in so doing would have the overwhelming support of the French people.

Blum also expressed the "conviction" that the USSR does not have the power and consequently the will to risk war at the present time by intervening in support of the French and Italian Communists.

(CIA Comment: Blum's statement indicates that the possibility of continued difficulties between the Socialists and other parties in the Cabinet has been reduced. CIA concurs with Blum's estimate of Communist strategy as well as with Blum's views on De Gaulle's probable course of action against the Communists should the General come to power.)

Possible decline in De Gaulle's rightist support--US
Ambassador Caffery has learned from General Catroux, a leading Gaullist supporter, that De Gaulle has rejected Catroux' request for Gaullist support of the Schuman Government. De Gaulle's reported view is that the present government will fall shortly, and that any subsequent coalition government will also fall, leaving De Gaulle as the only alternative. Catroux believes that De Gaulle is making a serious error and reports that he has received the impression from various political and military leaders that they share this view.

NEAR EAST-AFRICA

3. GREECE: Guerrilla use of subs and planes considered unlikely--
US Naval Attache Athens--after assessing radar plots, observation reports, and other available data--concludes that there is no real evidence to support continuing rumors that the guerrillas are using submarines and planes. The NA points out that use of submarines and planes requires considerable technical skill and the consequent risk, hitherto avoided, of using non-Greek personnel in Greece.

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4. PALESTINE: Full-scale Arab effort reported for end of March--
The Counselor of the Lebanese Legation has conveyed to US Embassy London his belief that full-scale Arab operations in Palestine will start at the end of March instead of early in May as previously planned.

(CIA Comment: CIA believes that Arab military activities will increase in intensity in the near future but that "full-scale" operations are not likely to get under way until the UK relinquishes the mandate on 15 May--and even then only in those areas which UK troops have already evacuated; see Weekly Summary of 13 February, page 1.)

FAR EAST

5. FRENCH INDOCHINA: Bao Dai to confer with Viets--US Ambassador Caffery has been informed by a reliable French Foreign Office source that Bao Dai's present plan is to call a meeting in Hongkong of the leaders of all Vietnam political, religious, and economic groups, including "even rightist elements" of the Viet Minh, in order to inform these leaders in detail of his agreement with High Commissioner Bollaert. Source indicated that Bao Dai would also suggest the formation of a provisional government which later would invite him to return to Vietnam. The Foreign Office official declared that he and Bao Dai were both uneasy about the success of the plan.

(CIA Comment: CIA believes that support for Bao Dai in French Indochina is not yet strong enough to insure the success of the above plan.)

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GENERAL

1. Reported Soviet views on situation in Europe--US Minister Chapin transmits a report from a "completely reliable" source of an instructional lecture given recently by a member of the Soviet Legation in Budapest to leading Hungarian Communists. The Hungarians were told that the Soviet views on the European situation included: (a) US aid to Europe will be neither sufficient nor prompt; (b) the US presidential election is the most important factor in international affairs and will prevent effective US action abroad this year; (c) the truly "democratic" countries must utilize every opportunity afforded by this temporary US withdrawal; (d) the "liberation" of Greece is only a question of time, but the Markos regime needs greater assistance from the Satellites; and (e) once Greece is conquered, the overthrow of the Turkish "fascist" regime is a foregone conclusion, Italy will then become Communist, and France will be faced with the choice of becoming a US colony or rejoining the "European community of democratic peoples."

Chapin believes that this lecture might be considered a "briefing" of these Hungarian Communist officials prior to their departure for Moscow, apparently in order to sign a friendship and mutual aid pact with the USSR.

(CIA Comment: CIA considers that these statements represent an effort to convince the Hungarian Communists that the European recovery program will fail and that they should support the USSR's expansionist policies, rather than an actual exposition of present Soviet intentions and expectations. However, the statements accurately reflect the concern with which the Kremlin views the US presidential campaign and the results of congressional action on the European recovery program.)

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FAR EAST

- 1. KOREA: Commission seeks to prolong US occupation--General Hodge estimates that the delegates to the UN Commission on Korea will attempt to force a line of action which will indefinitely delay the termination of US occupation. Hodge believes that the delegates are "placing their national interests above any thought of the welfare" of the Korean people. Hodge comments that the failure of the UN to take positive action would have such an impact on the Koreans that in the long run it would be better for the US to let the UN Commission die and to proceed with the establishment of a South Korean Government.

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GENERAL

1. Canadian attitude on policing of Palestine--The US Military Attache in Ottawa has been "reliably" informed that Prime Minister Mackenzie King has declared that "Canada will not send Canadian troops to Palestine." The MA also reports that the Canadian Chief of Staff has ridiculed the effectiveness of a joint force composed of troops from Canada, Brazil, and similar states.

(CIA Comment: Canadian refusal to endorse the partition of Palestine by force might become a determining factor in the Security Council's position regarding such enforcement. Five other members of the Security Council--Argentina, China, Colombia, Syria, and the UK--have already indicated their reluctance to endorse the partition plan.)

EUROPE

2. FRANCE: German disarmament question to be reviewed--The Department of State has informed the French Government that the US does not consider as any longer applicable the four-power treaty on German demilitarization which was proposed by former Secretary Byrnes, and that the US is accordingly reviewing the whole question. In connection with current Anglo-French-Benelux discussions regarding European security, the Department expressed the views that the question of European security should be handled primarily on European initiative but that a Dunkirk-type treaty directed exclusively against Germany is not the best approach.

US Ambassador Caffery reports from Paris that Foreign Minister Bidault has expressed a general agreement with the

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US position but hopes that the coming talks on Germany will include "something" to take the place of the four-power treaty. Caffery further reports that Bidault has told him that discussions for a western union are in a "confused state" and that both the UK and France are insisting on a modernized Dunkirk pact which the Benelux countries do not want.

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GENERAL

1. Proposed US reply to Soviet protest--The Department of State has transmitted to the UK and French Foreign Offices a proposed answer to the Soviet note of protest against the forthcoming tripartite talks on Germany. The proposed US note will point out that there is no provision in the Potsdam agreement which would prevent any of the four powers from discussing among themselves questions of common concern. The note will also point out that Soviet failure to observe the principle of economic unity in Germany provided for in the Potsdam agreement has forced the other three powers to consult among themselves concerning the economic deterioration in Germany which threatens recovery in all of Europe.

EUROPE

2. BELGIUM: Communists blamed for Belgian strike situation--US Charge Millard reports from Brussels that the chief of the Belgian Labor Ministry believes that: (a) the current Belgian strike wave is directed from outside the country; (b) although the strikes were originally planned to coincide with strikes timed for late February in other countries, the recent small-scale Socialist miners' strike was seized by the Communists as a favorable opportunity; and (c) a general strike had been scheduled for 17 February but "the average worker is aware of Communist political aims and refused to participate." Millard reports that the Embassy does not discount the possibility of further Communist maneuvers but believes that Communist strength has been considerably weakened by the open political warfare.

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3. ITALY: US statement on Italian colonies suggested--US Ambassador Dunn recommends the consideration of a statement of US policy favoring temporary administration by Italy of colonies formerly under Italian control. Dunn believes that in order to counteract the effect on the forthcoming Italian elections of the recent Soviet announcement concerning the colonies, the US statement should be no less favorable to the Italians than the position already taken by the USSR and by France. Dunn further suggests that such a statement should refer to the US view that "Trieste should have been Italian" and should include a reference to US support for Italian entry into the UN.
4. FRANCE: French drive against militant foreign Communists--Ambassador Caffery reports that the French Ministry of the Interior is conducting an energetic drive to eliminate Soviet, Yugoslav, Italian, and Polish Communist groups in France because of the possibility of another Communist offensive in the coming months. Caffery has also been informed that similar action against Spanish Communist groups in France is contemplated in the very near future.

(CIA Comment: The increasingly energetic anti-Communist stand of the Schuman Government will bolster its prestige internally and proportionately decrease the appeal of De Gaulle as the "savior of France.")

FAR EAST

5. KOREA: Soviet policy in Korea attacked--According to US Political Adviser Langdon, General Hodge expressed at a 16 February press conference the following views: (a) The US has strictly adhered to the Moscow decision on Korea; (b) the USSR has simultaneously prepared to violate that agreement; and (c) evidence of such preparations is provided by the recently-announced establishment of a "People's Army of Korea" and

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the creation of a draft constitution for "all Korea," designating Seoul as the capital.

(CIA Comment: The announcements cited by General Hodge have been long expected. Although these announcements emanated from the North Korean radio station and not from the USSR, CIA is convinced that they are further evidence of a Soviet plan to establish a puppet state in Korea.)

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GENERAL

1. UK position on the Antarctic controversy--The UK Foreign Office has informed US Embassy London that the UK Ambassador in Washington will approach Secretary Marshall on 19 or 20 February regarding a "general Antarctic settlement." Bevin has instructed the Foreign Office that in such a settlement: (a) the UK should not get involved in any inter-American matters; (b) no opportunity should be given the USSR to intervene; and (c) the UK proposals should fit into the British over-all strategic and political plans, including the proposed western European union.

(CIA Comment: The UK has resisted referring the Antarctic dispute to the UN because in addition to its desire to forestall Soviet interference, the Foreign Office believes that the controversy is legal rather than political; a UK proposal that the issue of sovereignty in the case be taken before the International Court of Justice was rejected by Argentina and Chile.)

2. France to proceed with French-Italian customs union--US Ambassador Caffery has learned from the French Foreign Office that France and Italy have agreed to announce very shortly their intention to draw up a customs union agreement. The Foreign Office spokesman added that France would have preferred to include other countries in this union but had decided to go ahead with Italy alone, because the Benelux countries appeared reluctant to join.

3. Canada and Australia oppose South Korean elections--The US



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Canada and Australia vigorously oppose holding elections in South Korea at this time. The UK source indicated that if the



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EUROPE

4. **CZECHOSLOVAKIA: Communists may precipitate crisis--**
US Charge Bruins in Prague, in commenting on the current political crisis in Czechoslovakia over the question of Communist control of the police, expresses the view that if the Communists regard a breakdown of the National Front coalition government as unavoidable, they will precipitate it at once. Bruins believes that the Communists would want to utilize trade union meetings already scheduled for 22 February as a basis for public demonstrations.

(CIA Comment: CIA concurs in this estimate. The refusal of the Communists to comply with the recent demand of the Moderates for changes in the police organization reveals that the Communists believe continued control of the police to be essential to their victory in the May elections.)

5. **GREECE: Government concerned over long-range plans--**
AMAG Chief Griswold reports that the Greek Government is concerned over the possibility of a "real war" within the next two or three years and has inquired as to US long-range plans regarding Greece. Griswold adds that AMAG and the US Embassy are convinced that this concern is one important factor which is diverting the Government's attention from: (a) the acute economic and political danger inherent in the guerrilla activities; and (b) the serious likelihood of the collapse of democratic Greece, involving either Communist control or rightist dictatorship, unless the guerrillas are decisively defeated and dispersed within six or seven months at most.

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NEAR EAST-AFRICA

6. SAUDI ARABIA: Announcement of President's request protested--
US Minister Childs reports that the Saudi Arabian Government has reacted very unfavorably to the public announcement of the fact that President Truman had requested several Arab states to exercise restraint on the Palestine issue. Childs adds that for this reason he does not consider the moment opportune to request an extension of US rights to the Dhahran air base.

7. TURKEY: General Staff requests tactical instruction--US
Ambassador Wilson reports that the Turkish General Staff has requested that the US provide as soon as possible additional personnel for tactical instruction. Wilson strongly recommends the granting of this request because he feels it will be of little value to the Turks to learn how to use US equipment unless they also learn how to handle it in the field. According to Wilson, about 15 qualified instructors with combat experience would be required for such instruction.

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GENERAL

1. US views on French attitude toward Germany--The Department of State has authorized Ambassador Caffery in Paris to inform the French Government of the US view that French preoccupation with Germany as the major threat to French security is outmoded and unrealistic and that the real danger to France is not Germany itself but the possibility that German resources will be utilized by another power. Caffery is also authorized to express the view that unless western Germany can during the coming year be effectively associated with the Western European nations, first through economic arrangements and ultimately perhaps politically, there is real danger that the whole of Germany will be drawn into the eastern orbit.

2. Italy desires improved relations with Spain--US Embassy Rome reports that certain officials in the Italian Foreign Office are considering ways of improving Italy's relations with Spain, possibly through a customs union which might provide some opportunity for Spanish participation in the Western European cooperation programs. The Embassy has been informed by a Foreign Office source that Italy favors normal relations between Spain and its Mediterranean neighbors and to establish such relations seeks a formula which would not embarrass the US, the UK, and France.

NEAR EAST-AFRICA

3. PALESTINE: Arabs to send troops if UN forces used--US Embassy Cairo has been informed by Secretary General

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Azzam Pasha of the Arab League that the Arab states will not send regular troops to Palestine unless other countries or the UN sends military forces. Azzam said that in such an event the Arab states would be obliged to send in armies in full force. Azzam Pasha added that the Arab League regards the Palestine situation as a civil war involving a minority attempt to set up a separate state.

Reported Arab chain of command and D-Day plan--
British Middle East Land Forces have informed the US Military Attache in Cairo that Arab leaders have agreed upon an Arab League military command for Palestine and a specific D-Day plan of attack, including the destruction of the Reutenberg hydroelectric plant and the Jerusalem water reservoir and pumping stations.

(CIA Comment: Although the strong Arab desire for a victory may lead to the specific destructive acts of the D-Day plan at almost any time, the commitment of full Arab strength is unlikely before British withdrawal is well-advanced unless an international force is sent to Palestine.)

4. IRAN: Informal request for additional US aid--The US Military Attache in Tehran, at the request of Chief of Staff Razmara, transmits the views of the Shah and Razmara that: (a) with the passage by the Majlis of the US arms credit bill, Iran has burned its bridges as far as the USSR is concerned and therefore deserves "complete assistance" from the US; and (b) an immediate token shipment of arms is most desirable as an indication that the US wishes to furnish aid to Iran quickly in the event of emergency. The MA endorses the sending of a token shipment "so that Iranians will not lose confidence in the integrity and intentions" of the US.
5. SYRIA: Resentment over US airline's action--US Legation Damascus reports that Pan American Airways' decision to withdraw its employees from Syrian Airways by 1 March: (a) will cripple, if not kill, the latter's activities; (b) may furnish "press fireworks for another anti-American festival"; and (c) may result in the repudiation by the Syrian Government of the still unratified US-Syrian air agreement.

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GENERAL

1. UK and French draft of Western European union agreement--
 US Embassy Brussels has been informed that the UK and French Charges in Brussels have handed to Premier Spaak a western European union draft agreement which is "based on Dunkirk." The British Charge affirmed that the draft agreement applies only to German aggression and declared that the UK took such a line because of the insistence of the French. The British Charge added that a similar draft has been handed also to the Dutch and Luxembourg foreign offices and that it is planned to hold five-power meetings in one of the Benelux countries early in March.

EUROPE

2. GREECE: British view on Greek reluctance to take advice--
 US Ambassador Douglas reports that US General Van Fleet (before leaving London for Greece to head the joint US Military Assistance Planning Group) was given an estimate prepared by the British Ambassador to Greece which states that: (a) the Greek Government, considering itself indispensable and Greece vital to the Western powers, feels that it can disregard Allied advice if it so desires; and (b) if political interference with the Greek Army can be eliminated and the campaign against the guerrillas controlled by effective US-UK advice, positive results should be obtainable in 1948. Douglas quotes Van Fleet as particularly deploring the reported attitude of the Greek Government and as asserting that he would lose no opportunity to counteract such a view in all Greek circles.

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FAR EAST

3. **FRENCH INDOCHINA:** Bao Dai may withdraw from agreement--
US Consul Rendall in Hanoi believes that Bao Dai now feels that his bargaining position with the French has been strengthened by the lack of success in French military operations. Rendall further reports that Vietnamese Nationalist leaders have convinced Bao Dai that he made a tactical error in signing the Bollaert agreement which commits Vietnam to adherence to the French Union. The Nationalist leaders reportedly decided that in order to withdraw from this commitment Bao Dai should declare he signed only as an individual and later accept a call for his return to Indochina as emperor of a state "freely allied with France."

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GENERAL

1. Soviet incorporation of Poland into USSR considered unlikely--
US Embassy Warsaw questions the interpretation that the Kremlin plans to incorporate Poland into the USSR "in the not too remote future." The Embassy expresses the views that: (a) the USSR has used the Satellites to create a buffer against western Europe and to multiply the number of pro-Soviet votes in the UN; (b) incorporation of the Satellites into the USSR would sacrifice these advantages and create serious internal difficulties in Poland for the USSR; and (c) the present Polish Government is steadily evolving in the approved Soviet pattern.

2. UK Foreign Office alters views on Communist tactics--According to US Embassy London, the UK Foreign Office has submitted to Bevin its "tentative" estimate that: (a) the Italian Communists will temporarily ease up on their recent strike tactics; and (b) the French Communists will also "go slow for the time being." The Foreign Office believes that the Communists in Italy will try to obtain sufficient participation in the Government through the April elections to obtain the post of Minister of Interior and thus gain control of the country. (This estimate is a modification of the earlier Foreign Office belief that the Communists would make strenuous efforts to incite trouble in the two countries in March.)

3. Benelux view of proposed bilateral treaties--US Ambassador Caffery reports that the Benelux countries are replying to the UK-French proposal for a series of treaties calling for joint action against German aggression, by declaring that: (a) such

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an approach to the present situation is unrealistic; and (b) the Benelux countries would prefer a regional agreement which would provide for mutual assistance in case of attack and would be based on the UN charter. The Benelux countries agree, however, to discuss with the British and French the idea of a western European union which will be designed to strengthen economic as well as political ties.

EUROPE

4. CZECHOSLOVAKIA: Estimate of political crisis--US Ambassador Steinhardt reports that events have moved so rapidly in Czechoslovakia recently that the sole restraining influence upon the Communists appears to be President Benes' constitutional authority and his personal popularity.

(CIA Comment: CIA believes that the Communists will make every effort to preserve a semblance of legality in their drive to gain control of the government. However, the Communists are already so committed by their public pronouncements and actions that it would be political suicide for them to accept a compromise which did not enable them to retain sufficient power, including control of the police, to insure a Communist victory in the May election.)

FAR EAST

5. KOREA: Hodge confers with South Korean political leaders--US Political Adviser Langdon reports that in a 20 February conference with Rhee Syngman, Kim Koo, and Kimm Kiusic, General Hodge found that although no basic accord exists among the South Korean leaders, Kimm Kiusic and Kim Koo would "go along" if the UN Commission should proceed to observe elections in South Korea. Hodge indicates that only Rhee openly supports such a move at present and that the other two leaders will not publicly endorse separate elections for fear of being branded "traitors" to Korean unity. Kimm Kiusic is reportedly

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"still harping on the lack of definite policy by the US and is more hysterical than ever concerning establishment of South Korean security forces."

(CIA Comment: In contrast with Rhee and Kim Koo, who are extreme Rightists and bent on autocratic rule, Kimm Klusic, as leader of the National Independence Federation, represents what is probably the only potentially democratic force in South Korea. CIA believes that Kimm has abandoned expectation of immediate unification of Korea but hopes to extract a promise of all-out US support of a future government in South Korea before he will publicly endorse the establishment of such a government.)

6. FRENCH INDOCHINA: Possible Bollaert resignation--US
Ambassador Caffery in Paris has been informed by a French Foreign Office source that High Commissioner Bollaert has threatened to resign if his "exclusive" authorization to negotiate a settlement of the Vietnam problem is further infringed. Bollaert considers Bao Dai's recent conferences with high Foreign Office officials to be such an infringement.

(CIA Comment: If Bollaert resigns, he will probably be succeeded as High Commissioner by a military officer with a less conciliatory approach to the Vietnamese problem.)

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GENERAL

1. Estimated Soviet course of action in Near East--US Ambassador Smith in Moscow transmits his opinion that the Soviet course of action vis-a-vis the Near East will probably include: (a) strong support of the recommendation of the UN Special Committee on Palestine for an international force for Palestine; (b) insistence on the inclusion of a Soviet contingent in such a force; and (c) general acceleration of Soviet propaganda and subversive activities throughout the Near East. Smith believes that in formulating its policy the Kremlin has been greatly encouraged by the current chaos in Palestine and by Iraq's rejection of the UK treaty.

2. Conversations on western European military alliance--According to US Ambassador Caffery in Paris, French Foreign Minister Bidault has declared that if the US is associated in a secret military alliance with Great Britain and the Benelux countries, France is willing to sign a pact which will include "concrete promises on all sides for immediate action in any eventuality." Bidault expressed himself as afraid of a "high sounding treaty" with nothing effective behind it.

US Charge Millard in Brussels reports the opinion of Premier Spaak that the military pact now proposed by the French and British should be extended to include Africa. Spaak reiterated to Millard his belief that such a pact would require ultimate US support.

(CIA Comment: Spaak has previously indicated that his thinking followed the lines of a regional arrangement under the UN Charter. The inclusion of the US in such an arrangement would be inconsistent with a regional character.)

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[redacted] the recall of Satellite representatives to the US: (a) the Yugoslav Ambassador has been recalled and is instructed to leave the US by 1 March; (b) the Polish Ambassador has also been recalled and plans to leave New York on 4 or 5 March; and (c) the Bulgarian Minister has been instructed to return to Sofia by 10 March. [redacted]

3.3(h)(2) [redacted] all Bulgarian Ministers throughout the world have been recalled for consultation.) [redacted] the Hungarian Minister to the US also expects to be recalled.

EUROPE

4. FRANCE: Communists adopt waiting tactics--The US Military Attache in Paris has learned from a usually reliable source that the Political Bureau of the French Communist Party has decided to refrain from an immediate program of generalized strikes or social agitation in France. The Bureau reportedly intends to proceed cautiously in the hope that the Government's price-cutting campaign will fail and thus open the door to a later agitation by labor for higher wages, a movement in which militants of Force Ouvriere might join. French Communist Leader Duclos has declared himself well satisfied with "this conciliatory formula of the Kremlin" which permits the Party to act with maximum opportunism.

5. CZECHOSLOVAKIA: Moderates may join in new government--According to US Ambassador Steinhardt, Communist leaders are reportedly not encountering too much difficulty in finding "fairly representative" National Socialist and Peoples Party members who are prepared to enter a new government.

(CIA Comment: CIA believes it possible that National Socialist and Peoples Party representatives may participate in the new government because (a) the Communists may wish to preserve a semblance of constitutionality, and (b) the Moderates may wish to retain at least token participation in the government.)

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6. GREECE: Satellite-supported Markos offensive possible in March--
The US Military Attache in Belgrade believes it "quite possible" that a guerrilla offensive will be launched from southeast Albania about mid-March or later. The MA bases his belief on: (a) recent indications of increased movement of Yugoslav tanks, artillery, and troops toward southeastern Yugoslavia and Albania; and (b) lack of success by the Markos forces which "demands a step-up soon." The MA believes that the "most plausible" next move would be to get organized combat units disguised as Greeks, or perhaps Albanians, into action via Albania.

(CIA Comment: CIA believes that such an offensive is possible and that Yugoslavia could reinforce the Markos forces with substantial numbers of irregular troops without committing the Yugoslav Army. Moreover, such a drive would be timed to take place before US aid can become effective and to anticipate the expected spring offensive of the Greek Army.)

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THE AMERICAS

5. **BRITISH HONDURAS: UK widely publicizes sending of cruiser --**
US Ambassador Douglas reports that the dispatch of the cruiser DEVONSHIRE to Belize, British Honduras has been given wide publicity in Great Britain and seems intended "to impress the outside world." Conservative Party leaders plan to criticize the Government for failure to maintain British military strength, thus facilitating recent developments in the Antarctic, the Honduras, and Czechoslovakia.

(CIA Comment: The UK action in sending additional naval forces to Belize is probably designed to: (a) impress the public at home with the Government's resolute defense of British colonial interests; and (b) act as a deterrent to a possible Latin American demand at the Bogota Conference for a reconsideration of the question of European possessions in the Western Hemisphere.)

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GENERAL

1. British views on Czechoslovak coup--Foreign Minister Bevin has informed US Ambassador Douglas in London of his "great concern" over the developments in Czechoslovakia. According to Douglas, Bevin has tentatively concluded that the US and the UK are "impotent" in the matter and that unless "we could take positive steps" the mere filing of protests would only reveal US and UK weakness. Bevin, however, is re-examining the situation with a view to determining whether any joint US-UK-French action in the UN might be appropriate. Douglas adds that Bevin "appreciates the possible consequences" in western Europe, particularly Italy, if the coup in Czechoslovakia goes unchallenged.

French view on possible tripartite statement--French Foreign Minister Bidault is of the opinion that any joint declaration by the US, the UK, and France concerning the recent course of events in Czechoslovakia should condemn the coup for jeopardizing the principles of liberty and imposing a camouflaged dictatorship upon the Czechoslovak people. Bidault has expressed to US Charge Bonbright the preliminary view that a demarche to Prague would be useless and an approach to the UN impractical at this time.

2. UK proposes short CEEC meeting in early March--US Ambassador Douglas in London reports the view of the UK Foreign Office that a short meeting of the Committee for European Economic Cooperation (CEEC) should be held around 8 or 10 March. The UK believes that at such a meeting the CEEC could: (a) receive reports on recovery steps taken by the participating countries since the Paris Conference; (b) establish a working party to prepare a charter for a continuing CEEC organization; and (c) formulate the multilateral agreements among the CEEC countries. Douglas also has been informed that the French Foreign Office concurs in these views.

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3. British objections to ITO charter -- The UK Government has handed Ambassador Douglas an aide-memoire stating that the final International Trade Organizations (ITO) charter now nearing completion at the Havana Conference has several unsatisfactory features and that it is very doubtful whether the UK can accept it. The Government objects to three new compromise provisions which it feels grant further concessions to undeveloped countries while Britain is given insufficient protection for its own trade.

EUROPE

4. POLAND: Griffis' views on International Bank loan to Poland -- US Ambassador Griffis has revised his previous estimate of the advisability of an International Bank loan for the rehabilitation of the Polish coal industry. Griffis states that in 1947 Poland substantially increased its coal production without such a loan and that production continues to be slightly ahead of schedule. Griffis believes that whether or not a loan is granted, the Polish Government's great need for dollars will force Poland to export increasing quantities of coal to western Europe. Griffis concludes that a "dollar to a Satellite is a dollar to the USSR."

FAR EAST

5. CHINA: Soviet offer to mediate Chinese civil war -- US Embassy Nanking has received confirmation from Chiang Kai-shek's secretary that the Soviet Military Attache in Nanking, shortly before his departure for Moscow in January, expressed the willingness of the USSR to arrange a peaceful settlement between the Chinese Government and the Communists. The Generalissimo's secretary insisted, however, that "neither the Generalissimo nor any other important Chinese Government official desires, or believes possible, accommodation with the Communists at this time."

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(CIA Comment: CIA is convinced that the Soviet MA did give some indications of the willingness of the USSR to arrange a settlement in the Chinese civil war. Moreover, in view of the MA's recent appointment as new Soviet Ambassador to China, such indications were undoubtedly made with Kremlin approval. CIA doubts, however, that either the Chinese Communists or the National Government would now be willing to offer reasonable or acceptable terms for settlement.)

6. FRENCH INDOCHINA: Possible request for US mediation-- US Embassy Bangkok has been informed by French Minister Gilbert that a representative of Ho Chi Minh's Vietnam Government recently inquired whether the French Government would object to a request to the US Embassy to act as intermediary in the French-Vietnamese problem. The French Minister also declared that the French fall military campaigns had achieved nothing, that Bao Dai was asking for more than Ho had originally requested, and that he personally does not see how the French Government can solve the problem.

THE AMERICAS

7. BRITISH HONDURAS: Possible invasion by Guatemala--The US Vice Consul in Belize reports that: (a) local authorities are preparing for a possible air invasion by Guatemala; and (b) a British cruiser has been ordered to proceed to Belize.

(CIA Comment: Although CIA considers it unlikely that the Guatemalan Government will participate directly in any overt invasion of British territory, the Guatemalans can be expected to press their claims to British Honduras through diplomatic channels with greater vigor than heretofore. Argentina will probably encourage Guatemala in exchange for the "support and aid" Guatemala has already promised in the current dispute over Antarctica.)

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GENERAL

1. Strong US statement on Czechoslovakia urged--US Ambassador Steinhardt in Prague reports his belief that a strong statement by Secretary Marshall on recent developments in Czechoslovakia would have a "very sobering effect" on the Czechoslovak Communists. Steinhardt also feels that such a statement would influence President Benes' course of action and might encourage the rebirth of either open or underground opposition to complete Communist dictation. The Ambassador suggests that the Secretary's statement might imply that the US is considering the suspension of US exports to Czechoslovakia or may close the US zones of Germany and Austria to all Czechoslovak traffic.

2. Assurances of security required in London Conference--The US delegation to the London Conference on Germany has expressed the opinion that apparently it will be necessary for France and the Benelux countries to receive some assurances concerning their security against German aggression before any progress can be made toward an understanding on Germany. The delegation proposes the possibility of suggesting to the French a three-power disarmament and demilitarization treaty.

The Department of State has suggested to the US delegation that it discuss with the UK and France the advisability of inviting Italy to express in writing its views pertaining to German economic problems of concern to Italy. The Department believes that such an invitation would be an expression of western support for the present moderate government in Rome.

EUROPE

3. ITALY: Restraint advised in Italian relations with Spain--The Department of State has instructed the US Embassy in Rome to suggest to the Italian Foreign Office that it exercise caution and restraint in its efforts to improve relations with

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Spain. The Department believes that too hasty action would offer advantageous propaganda to the extreme Left. The Department adds that the US also desires improved relations with Spain but believes it will be difficult, if not impossible, to accomplish such an improvement without substantial political and economic changes within Spain itself.

FAR EAST

4. SIAM: New cabinet formed--US Embassy Bangkok reports that the composition of the new Siamese Cabinet under Premier Khuang Abhatwong shows no major changes in ministerial portfolios, but that some concessions have been made to the military group in the appointment of deputy ministers and acting ministers. The Embassy comments that the cabinet retains all the key men of the former provisional government and appears to be a good cabinet.

(CIA Comment: This new cabinet will probably receive foreign recognition in the near future. Such recognition will strengthen the already demonstrated ability of the key members of the cabinet to resist pressure from the group which led the 1932 coup against the absolute monarchy.)

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GENERAL

1. ITO agreement foreseen in near future--US Representative Wilcox reports from the Havana Conference that he believes a complete agreement on all outstanding issues concerning the International Trade Organization Charter will be reached by the Conference in the very near future. Wilcox declares that the UK is now making a "desperate last minute attempt to extract additional concessions" but that no further compromises will be necessary. He believes that the UK will sign the final act of the Conference, which will authenticate the ITO Charter, "within the next few days."

2. US believes split in WFTU inevitable--The Department of State has informed US Embassy London that it believes a final split in the World Federation of Trade Unions (WFTU) to be inevitable and doubts the value of an attempt to maintain the WFTU. The Department feels that Communist domination of the WFTU makes improbable its continuance as a forum where labor movements could discuss such matters as the European recovery program. The Department would prefer, however, that the initiative for the break-up should not come from the US and that the responsibility be on the Communists.

3. CEEC meeting planned for 15 March--US Ambassador Douglas in London has been informed by a French Foreign Office official that the UK and France have agreed to hold meetings of the Committee on European Economic Cooperation, beginning in Paris on 15 March. Douglas was also told that Foreign Ministers Bevin and Bidault plan to attend the opening meetings. Douglas adds that British officials have confirmed this information.

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EUROPE

4. **FINLAND: Stalin letter under consideration--US Minister Warren reports the following information concerning the letter President Paasikivi received from Stalin on 23 February: (a) Paasikivi proposed to reply to Stalin that the time is not ripe for a Soviet-Finnish pact, but Foreign Minister Enckell opposed this course on the ground that it is too late to resist the Soviet demand; (b) no action on Paasikivi's draft letter was taken at meetings held on 27 February by the Finnish Cabinet, leading members of the Diet, and all political party groups; (c) no more such meetings are planned until the Diet reconvenes on 2 March; (d) several Cabinet members and Diet members have expressed to Minister Warren the "fervent hope" that the US will give some evidence of support for continued Finnish independence; and (e) the British Minister in Helsinki believes that Foreign Minister Enckell is rapidly slipping in his determination to resist the Soviet demands and that only Paasikivi could effectively stand up against the USSR.**

Swedish views on Soviet move in Finland--The Secretary-General of the Swedish Foreign Ministry has expressed to US Ambassador Matthews the view that the USSR desired to act in Finland before free elections were held, disclosing a decline in Communist strength. The Secretary-General described the members of the Finnish Government as "weary and disunited."

(CIA Comment: The reduction of Finland to complete satellite status will have profound effects in all Scandinavian states. In Sweden, it probably will increase the strength of the small group, chiefly high military officers, who consider Swedish "neutrality" unrealistic and favor a more positive foreign policy. It is unlikely, however, that the influence of this group will be sufficient to produce a change in the widely-supported policy of the present government. In Norway, where the trend toward closer cooperation with the western powers has been developing for several months, the events in Finland will undoubtedly produce greater support for this policy.)

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GENERAL

1. Plans continue to stall on Soviet pact--According to US Minister Warren, Finnish Foreign Minister Enckell has told French Minister Coulet in Helsinki that: (a) President Paasikivi on 27 February acknowledged by letter the receipt of Stalin's communication concerning a Soviet-Finnish mutual assistance pact; (b) Enckell believes that such a pro forma acknowledgement will anger Stalin and expects a coup at any moment; and (c) Paasikivi is still determined not to go to Moscow.

(CIA Comment: CIA believes that the Finnish Government will eventually sign a mutual assistance pact with the USSR. CIA doubts, however, that such a pact would immediately reduce Finland to complete Satellite status, because: (a) the Communist Party in Finland is not capable of staging a coup without Soviet armed support; and (b) the USSR does not appear willing to risk the possible international consequences of such armed intervention at this time.)

2. Possible French action to support De Gasperi Government--According to US Embassy Paris, the French Foreign Office has been "very severely shaken" by the Czechoslovak coup, considers Finland already lost, and feels "the gravest concern" over the situation in Italy. The Foreign Office believes that the next major effort by the Kremlin will be to establish a Communist-dominated regime in Italy "in the next several months" but feels that there is still a reasonable possibility of saving the situation if the De Gasperi Government can receive sufficient support from the western democracies before the April elections.

The Embassy reports that Foreign Minister Bidault wants to give all possible support to the De Gasperi Government and intends to seek Cabinet approval in order to take the following steps: (a) grant Italy permission to appoint military and naval attaches in Paris; (b) re-cede to Italy part of

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the territory acquired by France under the Italian peace treaty; (c) give Italy full support for trusteeship over its former colonies; and (d) conclude the French-Italian customs union agreement by approximately 15 March.

The Embassy adds that the Foreign Office believes that France will have less than an even chance of resisting the Communist drive if the Communists become dominant in Italy following the April elections. The Foreign Office also feels that April, May, and June will be the months of critical importance in determining whether or not "the line can be successfully held in western Europe."

(CIA Comment: CIA believes that in the event of the accession to power by the Italian Communists, the attitude of the French toward Communism will be stiffened rather than weakened and that French capabilities for resisting a Communist drive would be increased. CIA believes that the steps proposed by Bidault can be appreciably effective in swinging the elections in De Gasperi's favor.)

3. US decision on Austrian treaty requested--The US delegation to the current London conference reports that while US Commissioner Keyes, US Minister Erhardt, and the delegation itself are agreed that the immediate conclusion of an Austrian treaty is desirable from the political and economic standpoints, their discussions have raised "serious question" as to whether it is desirable from a strategic point of view. The delegation reports General Keyes' views that a US troop withdrawal would involve surrender of US strategic advantages. The US delegation considers that because the London sessions have progressed to the point where negotiation on specific Soviet proposals is imminent, it is essential that the US position be "fully agreed upon." The delegation therefore requests a decision from Washington on the strategic considerations involved.

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EUROPE

4. **FRANCE:** Uneasiness over possible governmental crisis--
US Charge Bonbright in Paris reports that increasingly severe Assembly criticism of the Government's economic policy has led to considerable uneasiness in French official circles over the possibility of a governmental crisis. A reliable and high-ranking official of the Interior Ministry has expressed to Bonbright the fear that in the next ten days these parliamentary attacks will be intensified. Bonbright adds the view of the Interior Ministry that if the Government's stabilization measures should fail, a Communist offensive similar to that of last November and December is a "good possibility" for the latter part of April or May.
5. **ROME:** Communist pre-election violence believed unlikely--
Ambassador Dunn concurs generally with the recent UK Foreign Office estimate that Italian Communists are unlikely to create strikes in Italy before the April elections. Dunn believes, however, that the Communists may resort to violence if they feel the trend is going against them and observes that Italian Communist organization and capabilities remain undiminished.
6. **CZECHOSLOVAKIA:** Suspension of freight shipments recommended--
US Ambassador Steinhardt believes that the temporary stoppage of all freight movements by rail or barge between Czechoslovakia and the US-UK Zone Germany would induce the Czechoslovak Cabinet to moderate its currently hostile attitude toward US activities in Czechoslovakia.

THE AMERICAS

7. **GUATEMALA:** Relations with UK may be broken--The British Minister in Guatemala City has informed US Ambassador Kyle that "Guatemala may be preparing to break diplomatic relations" with the UK as a consequence of the present Belize controversy.

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8. PERU: New Cabinet believed anti-democratic--US Embassy
Lima interprets the recent appointment of a Peruvian all-military Cabinet as a movement away from democratic government and estimates that new persecutions of Apra (the non-Communist leftist party) may be forthcoming. The Embassy adds that it considers the new Cabinet as friendly to the US as the one it replaced.

(CIA Comment: CIA indicated the possibility of such a Cabinet change in the Weekly Summary of 23 January, page vi. CIA concurs in this view of the anti-democratic nature of the Cabinet and believes that Apra is not in a position to rally sufficient force seriously to oppose the Cabinet.)

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GENERAL

1. US urges merger of three western zones in Germany--The Department of State has advised US Embassy London of its belief that the pressure of recent events in Europe lends new cogency to the desirability of the immediate coordination of the three western zones in Germany, leading to early French participation in an administration for western Germany. The Department believes that the three-power occupation of Germany may be of indefinite duration, thus offering France protracted security guarantees against a resurgent Germany. The Department also suggests the possibility of establishing a military security board, on which Benelux would be represented, as an adjunct to an eventual tripartite military government administration.
2. USSR believed jamming VOUSA--The US Consul in Vladivostok has concluded that the strong and constant interference encountered by "Voice of America" (VOUSA) transmissions to the Far East indicates that these broadcasts are now being jammed by the Soviet Union.

(CIA Comment: Such interference, if substantiated, would be the first instance of such action by the Soviet Union. In the past, Soviet officials have taken prompt action to eliminate Soviet-caused interference to VOUSA transmissions.)

EUROPE

3. ITALY: Sforza suggests US-UK statement to USSR--US Embassy Rome transmits a message to Secretary Marshall from Italian Foreign Minister Sforza who suggests that a joint declaration be issued by the US and the UK stating that the USSR has now reached "the limit of the expansion of its control" and will not be permitted to extend this control to any other western European states. Sforza stresses his grave concern over the European situation

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and notes that the present stage of Soviet expansion corresponds to that of Hitler in 1938. Sforza feels that Italy will be the next point of attack by the USSR, either by Communist infiltration or through Yugoslav action. Sforza expresses the view, however, that it would be undesirable for electoral purposes in Italy to mention Italy specifically in the proposed joint declaration.

(CIA Comment: CIA believes that a declaration as suggested by Sforza not only would gain votes for the Government in the Italian elections but would also appreciably increase the determination of anti-Communists throughout western Europe.)

4. CZECHOSLOVAKIA: Urges withholding of US shipments -- US Ambassador Steinhardt recommends that the US withhold the shipment of approximately \$25 million of heavy industrial equipment ordered from the US by Czechoslovakia. Steinhardt believes that fulfillment of these orders would now "contribute to the promotion of Soviet politico-economic policy." Steinhardt also suggests that Czechoslovak funds now in the US be impounded to protect US claims for property which has been nationalized or seized by the Czechoslovak Government.

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GENERAL

1. US views on interim government in Indonesia--The Department of State has advised the US delegation on the UN Good Offices Committee of its view that: (a) the Republic is obligated to accept Netherlands sovereignty over Indonesia prior to the formation of the United States of Indonesia; and (b) the Netherlands Government should formulate plans for an interim government for Indonesia and announce conditions for the Republic's participation therein. The Department of State believes that the Republic should be encouraged to join the interim government in order to share in the benefits of US financial aid and to improve the Republic's position in negotiations with the Dutch. The Department declares that it would be impossible for the US to extend aid to any government of Indonesia in which the Republic is not included because the extending of such aid would amount to US discrimination against the Republic.

2. US not to suspend Czechoslovak freight shipments--The Department of State has informed US Ambassador Steinhardt that it would be inadvisable to suspend temporarily Czechoslovak freight shipments through the US zone of Germany.

3. US plans support of Italy--The Department of State has informed Bevin and Bidault of its view that the US, the UK, and France should take every opportunity during the current electoral period to demonstrate the close support being given to the Italian people by the western powers. The Department suggests that in addition to the steps already planned, the three powers should take action concerning: (a) closer consultation with Italy on European reconstruction measures; (b) consideration of Italian views on the German economy; (c) transfer to Italy of proceeds from German assets in Italy; and (d) the admission of Italy to the Tangier regime.

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4. US support on Italian colonial issue believed important--
US Ambassador Smith in Moscow believes it important that the US support the De Gasperi Government on the question of Italian trusteeship of former Italian colonies. Smith observes that if the Italians should gain increased colonial responsibilities, they would be strengthened in a claim for an increase in Italian defensive military strength through a revision of the Italian peace treaty. Smith believes that in addition to the favorable effect a declaration of US support might have on the chances of De Gasperi's Government to survive, an increase in Italian armed strength would be "highly desirable."

(CIA Comment: A declaration in support of Italian trusteeship would undoubtedly gain votes for De Gasperi in the election, but contrary considerations are: (a) the repercussions in the Arab world; and (b) the adverse effect on the British position in North Africa.

5. US to require closer French cooperation within German zone--
The Department of State has authorized US Ambassador Douglas to state in the London Conference on Germany that the US can undertake no commitments concerning the French zone, under the European recovery program, without corresponding French commitments on closer association with the US and the UK in the reorganization of western Germany.

UK-French agreement on German participation in CEEC --
US Ambassador Douglas reports that the British and French delegations to the London Conference have agreed to propose at the 15 March opening meeting of the Committee on European Economic Cooperation (CEEC) that an invitation be issued immediately to the US-UK Zone Germany and the French Zone to participate on an equal basis in the CEEC meeting. The British and French do not expect any opposition to this proposal.

(CIA Comment: The announcement of this action will have favorable reactions in western Germany both as a sign that European recovery aid to Germany is forthcoming and as an indication of western realization of the importance of German cooperation in the aid program.)

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EUROPE

6. **FRANCE:** Bidault wants military alliance against the USSR--
US Ambassador Caffery has been advised by Foreign Minister Bidault that, in view of recent events in Europe, he no longer desires a treaty aimed only at Germany but really wants a concrete military alliance against Soviet attack with "definite promises to do definite things" under certain circumstances. Bidault feels, however, that for purely domestic political reasons the treaty should mention Germany specifically.

7. **AUSTRIA:** Reactions to Czechoslovak coup--Headquarters US Forces in Austria reports that the recent Czechoslovak coup has probably dampened Austrian popular enthusiasm for a treaty because Austrians feel that the presence of western troops in Austria shields them from a similar development. Headquarters also observes that relations between the Conservative People's Party and the Socialists have deteriorated considerably and that a break in the present coalition between these parties might present the Socialists with a choice between right and left, a choice which Socialist parties in other countries have recently resolved in favor of the Communist left.

(CIA Comment: This is the first indication of a possible change in the attitude of both major parties regarding the advisability of an early Austrian treaty. The majority People's Party has been particularly anxious to obtain a treaty as a means of improving its internal political position in the country. CIA considers it unlikely that the Socialist Party, which has consistently resisted Soviet and Austrian Communist pressure, will drop its coalition with the People's Party and force new elections.)

FAR EAST

8. **KOREA:** Reaction to "Little Assembly" resolution--General Hodge believes that because of their reaction to the possibility

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of early elections under UN observation, the Korean moderate and leftist members of the South Korean Interim Legislative Assembly probably will resign and thus terminate the existence of the Assembly. Hodge reports, however, that rightist groups led by Rhee Syngman are jubilant concerning the forthcoming elections. Hodge adds that neither rightist leader Kim Koo nor moderate leader Kimm Kiusic will participate in the forthcoming elections, but they will not actively oppose them.

(CIA Comment: The non-Rhee Rightists and the Moderates will be reluctant to associate themselves with the establishment of any "national government" whose future independence is not categorically guaranteed by the US against the imminent threat of North Korean aggression. Rhee's jubilation probably stems from his confidence that he can eventually maneuver the US into granting the necessary guarantees.)

9. PHILIPPINES: US conference on Philippine defense suggested--
US Ambassador O'Neal in Manila believes that a clear statement of US military plans for the Philippines would help preserve the Philippines as an asset to US policy in the Far East. The Ambassador feels that although the Philippine Government is truly disturbed by implications of the international situation, the thinking of the Government is conditioned by the present decline in US spending and by the fact that the presence of US troops increases domestic political stability. O'Neal suggests that either the Philippine Secretary of National Defense or the Chief of Staff be invited to visit Washington to discuss mutual defense and assistance matters.

THE AMERICAS

10. GUATEMALA: Armed intervention in British Honduras not foreseen--
The US Military Attache in Guatemala City reports that there is no evidence of troop movements against Belize and estimates that the controversy will be resolved without armed action.

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(CIA Comment: CIA estimates that political conditions within Guatemala make it less likely than ever, despite the persistence of anti-British disturbances, that Guatemala will participate in a retaliatory show of force against British garrisons in Belize.)

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EUROPE

1. ITALY: Financial support of non-Communists recommended--
US Ambassador Dunn recommends that in the April Italian election campaign certain non-Communist political parties be given US financial support transmitted through non-governmental sources. Dunn stresses that the USSR has obviously concentrated its effort on direct support of the Communist Party in Italy and that unlimited funds are now being spent by the Communists in a well-organized and effective political campaign. Dunn adds that: (a) the Italian Under Secretary of the Interior has emphasized that he is more worried now by the possibility of a Communist victory through legal electoral methods than by the question of a Communist attempt to take power by force; and (b) Prime Minister De Gasperi has commented upon the wave of alarm which has swept Italy since the Communist victory in the Pescara municipal elections.

The Department of State, in reply to Dunn's recommendation, has concurred in his estimate of the urgency of the situation and has urged that every possibility be explored with De Gasperi for implementing Dunn's suggestion.

2. FRANCE: Confidence vote over tax levy--US Ambassador Caffery reports the general belief that the Schuman Government will take "a rather severe mauling" on the question of the exceptional tax levy because, in addition to the Communists, moderate and rightist deputies are opposing the Government stand. Caffery adds that the Government will probably be obliged to ask for another vote of confidence.

(CIA Comment: CIA believes that the Schuman Government will receive Assembly approval, although by a very slim majority, in the forthcoming vote of confidence which will probably be taken on 8 March.)

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3. AUSTRIA: Foreign Minister's views on treaty--US Minister Erhardt reports that Austrian Foreign Minister Gruber is now preoccupied with the questions of (a) strengthening Austrian internal unity, and (b) developing western European collaboration. Gruber reportedly believes that, in view of the international situation, it will be possible to persuade Austrian party leaders to agree on a program which will preserve the present coalition for at least one year. Erhardt comments that Gruber is obviously now less concerned than previously with pressing Austrian treaty negotiations to an early conclusion and adds that Gruber wishes to insure Austrian defences against "internal and external aggression, short of war, before occupation forces withdraw."

(CIA Comment: Gruber will probably persuade both major parties that the conclusion of a treaty is no longer Austria's most pressing problem. He will be instrumental also in restoring unity to the major parties.)

4. USSR: Possible Kremlin disagreement on tactics--US Embassy Budapest reports that the Hungarian Prime Minister recently revealed the following impressions concerning possible disagreement within the Kremlin over Soviet tactics: (a) one group, allegedly favored by Stalin, desires to consolidate present Soviet gains and temporarily settle differences with the west; (b) the other group, led by Molotov, wants to press rapidly for greater expansion before US aid to Europe can be effective; and (c) the Molotov group feels that US preoccupation with the presidential election presents "a golden opportunity" for Soviet expansion and that Soviet action should be timed accordingly.

(CIA Comment: Several unsubstantiated rumors of divergent opinions within the Politburo over tactics in the "cold war" tend to support the Prime Minister's observations. CIA believes that a definitive decision by the Kremlin awaits: (a) the outcome of the Italian elections; and (b) more substantial indications of western, particularly US, determination to check further Communist expansion.)

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5. FINLAND: Firm US support urged--US Ambassador Smith in Moscow believes there may be a chance that with the firm backing of the US and other western powers, Finland might refuse Soviet demands for a mutual assistance pact. Smith therefore recommends that the US and the other western democracies assure the Finns that they will be backed "in anything short of war" if they turn down the Soviet request. Smith suggests particularly that the matter be taken up in the UN "in a very firm way." Smith concludes that the present Soviet policy of aggressive expansionism may be modified only when the USSR and countries threatened by it realize that the US is willing to support its policies "politically, economically, and, if necessary, militarily."

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GENERAL

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

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

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

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

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

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EUROPE

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

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

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

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

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

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

NEAR EAST-AFRICA

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

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

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1. FRANCE: Vote of confidence outcome to be close--US Embassy
Paris reports that as a result of violent Gaullist reaction the French Government has revoked its previous decision and has decided to permit the participation of a military honor guard at the 7 March war memorial service at which De Gaulle is to speak. The Embassy indicates also that the opposition of certain deputies to the Government's stand on the exceptional tax levy may be softened by reports that the Finance Ministry is working to revise the tax levy. The Embassy declares that a majority of observers believe at present that the Government "will squeak through by 15 or 20 votes," but that the vote of confidence will be the stiffest test the Government as yet has had to face.

2. GERMANY: Tentative agreement on Ruhr--US Ambassador
Douglas reports that the London Conference on German problems has reached a tentative agreement to set up in the Ruhr an international control agency which: (a) would represent the conferring powers and Germany; (b) would reach its decisions by majority vote, with the US, the UK, France, and Germany having three votes each and the Benelux countries one each; and (c) would receive regular reports on production, distribution, and consumption of Ruhr coal, coke, and steel and would have power to recommend such enforcement measures as are necessary to keep the German Government from defaulting on its obligations in the Ruhr.

3. FINLAND: Mannerheim's views on Soviet-Finnish relations--
US Ambassador Matthews in Stockholm has been reliably informed that former Finnish president Mannerheim considers that any decision to negotiate a Soviet-Finnish pact would be merely "the beginning of the end." Mannerheim reportedly believes that although the Finns might obtain superficial concessions, the USSR would obtain everything it desires and would use the treaty as an entering wedge to take over Finland. The former president thinks that changes may develop more slowly in Finland than in Czechoslovakia but the end results will be the same. Mannerheim concludes that militarily there is nothing the western powers can do on behalf of Finland.

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GENERAL

1. Troop withdrawal from Austria held undesirable now--The Department of State has advised US Embassy London of the view of the Joint Chiefs of Staff that a treaty involving troop withdrawal from Austria is undesirable from a military point of view in the light of the newest Soviet action in Europe. The Department has authorized the US treaty representative to seek compromise solutions on oil, Danubian shipping, and arbitration of future disputes.

EUROPE

2. NORWAY: Foreign Office believes USSR may propose pact-- According to US Embassy Oslo, the Secretary General of the Norwegian Foreign Office has declared that although Norway has not received any Soviet treaty proposal, such an offer is "not impossible." The Secretary General believes that Norway would refuse such a proposal, but he expresses the fear that unless his Government has some arrangements with the West prior to the proposal of a Soviet treaty, left-wing elements might force Norway to declare that it wishes to avoid commitments with any bloc.

(CIA Comment: CIA believes that Norway would reject any Soviet offer for a political-military pact and that such a proposal by the USSR would probably encourage the Government to conform to the already expressed desire of the Norwegian people for closer ties with the western powers.)

3. FRANCE: Communist disorders predicted for mid-March-- The US Consulate in Marseilles has been informed by a previously reliable source that the Communists will probably initiate nation-wide demonstrations and strikes about 12 March. The Consulate's informant added that the Communists will try to exploit any "soft spots" thus discovered in order to create a maximum disruption of French economic life, accompanying their endeavor with acts of criminal sabotage. A high-ranking Gaullist official, now in Marseilles, has informed the Consulate

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that if trouble starts, troops and police will concentrate their forces only at strategic points and that some isolated towns may thus fall to the Communists.

(CIA Comment: CIA believes that the French Communists will not begin strikes and disorders on a national scale in mid-March. Although the Communists will continue to exploit local grievances anywhere in France, they are not likely to provoke nation-wide strikes of an insurrectionary nature before the 18 April Italian elections.)

4. SWITZERLAND: Swiss-French military conversations-

[redacted] General Revers, French Chief of Staff, has held a discussion with the Swiss Chief of Staff concerning the possibilities of military collaboration between France and Switzerland, and that the Swiss officer declared that the Swiss could put 500,000 trained men into the field immediately.

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[redacted] the Belgian Chief of Staff is coming to Paris soon to discuss military matters with General Revers. [redacted]

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(CIA Comment: Swiss military collaboration with western Europe is much more likely now than in the past. However, Switzerland would probably limit its military commitments to the employment of Swiss troops only if Switzerland were attacked, thus preserving Switzerland's traditional neutrality as long as possible.)

5. FINLAND: Soviets accuse Finns of seeking US-UK support-- According to US Minister Warren, the Soviet Minister in Helsinki is maintaining pressure on the Finnish Government by accusing the Finns of attempting "to establish contact with Anglo-Saxons for purposes unfriendly to the Soviets."

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EUROPE

1. AUSTRIA: Breakdown of Austrian negotiations expected--
US Embassy London reports that the US, British, and French deputies for the Austrian treaty discussions have concluded that the present attitude of the Soviet deputy indicates that there is little room for negotiation with the USSR and that the western powers cannot accept the present Soviet proposal. The British and French deputies consider that although little can be gained by continuing the talks on this basis, they would like before adjourning the discussions to demonstrate more clearly Soviet unwillingness to compromise.

(CIA Comment: CIA believes that the USSR will not recede from its position and that the negotiations will, therefore, break down.)

Restoration of Austrian governmental functions suggested--
According to US Minister Erhardt, Austrian Foreign Minister Gruber has urged that, if the present negotiations on Austria break down, a conference be immediately initiated among Austria and the three western occupying powers in order to arrange for the restoration to Austrians of most of the remaining governmental functions exercised by the occupation forces. Gruber declared that following such a restoration of functions he could show the Austrian people that troops of the western powers remained only to safeguard Austrian sovereignty and independence and that only the USSR considered Austria as an occupied country.

(CIA Comment: CIA agrees with Gruber's analysis of the effects which a further transfer of authority to the Austrian Government would have upon Austrian public sentiment.)

NEAR EAST-AFRICA

2. IRAN: Arms negotiations with US reach impasse--The US Military Attache in Tehran reports that Iranian military and financial circles are considerably disturbed over the apparent unwillingness of the US to negotiate further regarding payment

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of the cost of packing and shipping US surplus arms to Iran. The MA believes that unless the US revises its position, the arms credit is "a dead issue."

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3. **INDIA: Kashmir, Sikh problems seen preventing pact--**
According to US Ambassador Alling in Karachi, the Pakistan Minister of Finance has confidentially expressed the belief that Pakistan would be prepared to offer India a 20-year defensive alliance following settlement of the Kashmir dispute and the "troublesome" Sikh question. The Minister told Alling that on his personal responsibility he had made such a proposal to Prime Minister Nehru of India. The Minister further expressed confidence that once these two matters were adjusted an economic and financial agreement with India could be reached within 24 hours.

FAR EAST

4. **KOREA: Reported North Korean Army plans--**Members of General Hodge's staff have been informed by an official of the South Korean Labor Party that the Labor Party has received word that the North Korean People's Army will invade South Korea some time in April. Hodge feels that "such an invasion is by no means improbable."

(CIA Comment: CIA believes that offensive action by the North Korean People's Army against South Korea is no more than a remote possibility so long as US forces continue in occupation. The risks in such a move would be considerable for the USSR, and the advantages would not outweigh those to be obtained by awaiting a US withdrawal.)

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5. **BURMA: Abrogation of US military air rights requested--**
US Ambassador Huddle reports that the Government of Burma has asked for abrogation of the US-UK agreement concerning the rights of US military aircraft over Burma. The Ambassador indicates that the Burmese request resulted from: (a) widespread reaction to rumors that unidentified airplanes have been dropping military supplies to the dissident Karens; and (b) the Government's desire to demonstrate its sovereign authority. Although the Burmese Foreign Minister has agreed to explore the problem, Huddle feels there is little hope of reaching a mutually satisfactory agreement.

(CIA Comment: CIA believes that the tendency of the present Government of Burma to appease its opposition, which includes the Burmese Communist Party, may lead to a serious modification of US military air rights.)

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GENERAL

1. US views on CEEC organization--The Department of State has informed Ambassador Caffery in Paris that the US attaches great importance to the forthcoming meeting of the working group of the Committee for Economic Cooperation (CEEC) for the purpose of drafting plans for a continuing CEEC organization. The Department expresses its desire that the CEEC organization develop into a major instrument for: (a) fostering closer cooperation among the participating countries; (b) checking on the performance of multilateral pledges and insuring realism in the statements of requirements; and (c) advising the US European recovery program administration concerning the most effective use of US aid.

2. US desires Italian colonies hearings be postponed--The Department of State has instructed the US Deputy at the London Conference that the US prefers that there be no hearings on the Italian colonies question prior to the 18 April Italian elections. The Department expresses the view that if such hearings are held with the other interested governments, the USSR will have additional opportunity, through the Satellite governments, to present views favorable to Italy in the disposition of the Italian colonies. The Department adds that the views of non-Satellite governments might embarrass the western powers. The Department suggests that the most desirable agreement would be one postponing all hearings until about 1 May.

EUROPE

3. NORWAY: Government to ask US strategic policy--Foreign Minister Lange has told US Ambassador Bay that the Norwegian Government would probably ask the US soon for a confidential indication of strategic policy and specifically whether Norway could count "upon help in an emergency."

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4. AUSTRIA: Food shortage believed politically dangerous --The US Legation in Vienna urges that additional food be shipped from the US to Austria by 1 April in order to avert a drastic and politically dangerous cut in Austrian food rations after interim aid shipments stop arriving. The Legation remarks that current food shortages are producing grave labor unrest, of which the Communists are taking successful advantage, and that a severe decline in rations might enable the Communists to seize control of Austrian trade unions with consequent disastrous effects upon Austrian political stability.

US Minister Erhardt and US Commissioner Keyes observe that recent events in Czechoslovakia have introduced an element of panic in Austria and that Austrian Communists are "developing their activity to the scale of a general attack."

(CIA Comment: CIA agrees with the Legation's estimate of the political consequences of a drastic reduction in the present food calory ration.)

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GENERAL

1. Norway asks UK position on military aid--US Embassy London reports that Norwegian Foreign Minister Lange recently informed the UK Government that Norway would reject any Soviet proposal for a defense treaty, and inquired specifically what military aid the UK could render. The Embassy was told by a UK Foreign Office official that although the British reply has not yet been formulated, he believes that the UK has "little to offer in the military field." The official added that the UK has formulated no definite political-military measures regarding Norway.

2. Turks apprehensive over international situation--Turkish Foreign Minister Sadak has expressed to US Ambassador Wilson the conviction that there can be no European economic recovery until political action is taken to provide security. Sadak believes that: (a) a pervading fear of the USSR and of war is preventing the action necessary for recovery; and (b) a sense of security can be restored only by a US declaration that Soviet expansion will be opposed with force if it moves beyond a line set by the US.

3. Possession of Falklands held essential to Argentine defense--According to US Ambassador Bruce in Buenos Aires, Foreign Minister Bramuglia has declared that Argentina: (a) will join with the US on the first day of "the inevitable war with the USSR"; (b) considers possession of the Falkland Islands to be indispensable because the islands are the only possible base from which the USSR could direct operations against Argentina; (c) will bring up the question of European colonies at the Bogota Conference with specific reference to the Falklands (Argentina considers Antarctica a separate question); and (d) hopes that the US will influence the UK to yield to Argentine claims.

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EUROPE

4. **AUSTRIA:** US will insist on Austrian sovereignty--The Department of State has informed the US delegation at the London Conference that the US considers it unlikely at this time that an Austrian treaty can be obtained which would adequately guarantee Austria's political and economic independence. The Department observes that the US has demonstrated its willingness to negotiate the outstanding Austrian issues but in any final settlement the US will insist upon the maintenance of Austrian sovereignty. The Department believes that, regardless of the trend of treaty negotiations at the present London Conference, Austria should be permitted to begin now the organization of its armed forces.
5. **SPAIN:** Argentine credits to Spain--US Charge Culbertson has learned from a reliable source that the Spanish Ambassador to Argentina has negotiated a confidential financial agreement directly with Peron whereby Argentina will grant Spain credits totaling \$425 million, one-fourth to be made available each year for the next four years. Culbertson says that the agreement reportedly includes the personal assurance of Peron that through US credits to Argentina Spain may indirectly obtain some US dollar credits.

Spanish views on relations with US--In reply to US Charge Culbertson's statement of the US position on Spain, the Spanish Foreign Minister declared that: (a) Spain is less interested in the European recovery program than in an individual deal with the US; (b) Spain hopes for the granting of US credits, first on a private and later on an official basis; and (c) Spain desires collaboration with the US, but believes that "differences of ideology or political thinking" should not be confused with mutual interests and a common ability to serve the world. Culbertson remarks that the Foreign Minister said nothing which would encourage a hope for evolution toward democratic government in Spain.

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(CIA Comment: This is in line with CIA's estimate that Spain will make every effort to get economic aid outside of the European recovery program in order to avoid pressure from other western nations for the liberalization of Spanish Government policies.)

6. CZECHOSLOVAKIA: Efforts to buy aircraft thought Soviet-directed--
US Ambassador Steinhardt is convinced that the persistent efforts of the Czechoslovak Government-owned airline to obtain US four-engine airplanes are directed by Moscow "on a very high level." Steinhardt has learned "in strictest confidence" that Prime Minister Gottwald overrode protests of his Minister of Finance in ordering that \$1 million of the limited Czechoslovak dollar balances be made available for the purchase of these aircraft.

(CIA Comment: CIA believes that the Czechoslovak airline offers the USSR a ready-made instrument of penetration to New York and the Near East. Czechoslovakia has concluded bilateral air agreements which make such penetration possible, and at present it is only the airline's lack of modern four-engine air transports which prevents the institution of services to the US.)

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GENERAL

- 1. Norway opposed to any Soviet pact--Norwegian Foreign Minister Lange has informed US Ambassador Bay that the Norwegian Cabinet unanimously agreed on 8 March to reject any Soviet pact along the lines of the recent proposal to Finland. Lange added that he would seek support from the Danish and Swedish foreign ministers, but that Norway's determination is not contingent upon such support.

EUROPE

- 2. ITALY: Possible participation in western European union-- The Department of State has asked US Ambassador Dunn whether the prompt inclusion of Italy in the western European union security arrangements would help strengthen confidence of non-Communist elements in Italy and deter Soviets from further fifth-column action along the Czechoslovak model. The Department believes that US public opinion is now prepared to support strong measures and indicates that the US intends to support the "western union" arrangements now being considered at Brussels. The Department adds that Bevin and Bidault share the US desire to give maximum encouragement to Italy before the elections, but that the five governments conferring at Brussels may well hesitate at taking on such a heavy immediate liability.

Italian view on western European union--US Embassy Rome reports the unofficial opinion of the Italian Under-secretary for Foreign Affairs that before joining any western European union, Italy would require a military guarantee "both sure and immediate." The Italian official expressed the view that Italy's vulnerability to attack from Yugoslavia makes such a guarantee necessary but that such an agreement is probably beyond the power of the UK and France to offer.

Communist coup predicted--Commander in Chief, US Naval Forces in the Eastern Atlantic and Mediterranean, has

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forwarded from a subordinate command a "possibly true" report from a reliable source that Italian Communist Leader Togliatti has stated he will seize control of the Government by a coup some time in May if the Communists fail to win the 18 April national elections.

(CIA Comment: Although CIA does not believe that the Italian Communists have the capabilities of carrying out a coup similar to that in Czechoslovakia, the Communists could launch an armed insurrection in Italy and may do so if they fail to win the national elections.)

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GENERAL

1. UK to seek Italian views on joining western European union--
US Embassy London has been informed by the UK Foreign Office that Bevin plans to "draw out" Italian Foreign Minister Sforza concerning Italy's participation in the western European union, during the Committee on European Economic Cooperation meetings which begin in Paris on 15 March. A high UK Foreign Office official remarked that Italy might prefer to leave the question open until after the April elections.

(CIA Comment: The UK had previously indicated a disinclination to invite Italy to join the western European union at this time because of the possibility of further complicating a settlement of the Italian colonial issues.)

EUROPE

2. NORWAY: Government asks for indication of US policy--
US Ambassador Bay has been told by Foreign Minister Lange that the Norwegian Government desires some indication concerning the possibility of US military support for Norway in the event of pressure or attempted occupation by the USSR.
3. DENMARK: Government intends to reject any Soviet proposals--
The Danish Foreign Minister has told US Ambassador Marvel that Denmark's reply to a Soviet request for a treaty or non-aggression pact would be "a flat no." The Foreign Minister added that Soviet aggression could only be halted by a US declaration that any further Soviet advance would be met by force, and expressed the hope that the US would make such a declaration.

The Foreign Minister also has informed Marvel that the Danes seriously intend "to defend their country in the event of a Soviet attack." He added that the Government considers the situation "most threatening" and urgently requests that Denmark be permitted to purchase large quantities of US military equipment immediately.

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4. FRANCE: Unidentified planes reported supplying Communists--
The US Military Attache in London has been informed by the French Air Attache that unidentified aircraft "have been flying over southeastern France at night on numerous occasions and that the French know that at least some of these aircraft have dropped arms to Communist groups." The French Attache added that the French have considered attempting interception of these aircraft with the assistance of radar but have decided against this action.

(CIA Comment: Previously received reports indicating that arms are being parachuted at night to Communist groups in France have not been verified.)

France faces imminent dollar exchange crisis--The French Minister of Finance has informed US Ambassador Caffery that the French Government's dollar supply will be "flat broke" on 25 March and that France will have no alternative but to stop all dollar imports and all other payments in dollars. Mayer declared that unless France has some assistance, "it is difficult to see how an economic and political crisis of the first magnitude can be avoided."

Caffery comments that Prime Minister Schuman and the French Cabinet view with extreme gravity the possibility of a "break in the pipe-line to France," and that even a short moratorium on dollar payments would have serious repercussions at precisely the time when the Communists are expected to open their drive in France.

5. ITALY: US suggests consideration of Italian membership in UN--
The Department of State has suggested to the US delegation at the UN that it begin confidential discussions with British, French, Belgian, Canadian, and Chinese delegates on the desirability of endorsing Italy's application for UN membership. The Department asks that the US delegation stress the vital importance of such a move on the eve of the Italian national elections. The Department observes that: (a) under present circumstances it would be most embarrassing to the USSR and to the Italian Communists if the USSR were to veto the Italian application again; and (b) if the application were approved the western nations would gain the credit for this action from the Italian people.

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GENERAL

1. US security guarantees believed needed--US Ambassador Caffery in Paris believes that the hope of a European recovery program is no longer enough to eliminate chances of Communist success in France and western Europe. Caffery reports his conviction that among the people of western Europe some assurance from the US of "a reasonable possibility of security" is as important to eliminate the fear of Communist aggression as the recovery program is to prevent economic and political chaos. Caffery feels that a majority of the French people view a western European union whose security was not "actively supported by the US as meaningless and dangerous." Caffery declares that in order to be effective this assurance cannot be long delayed.

2. USSR reportedly encouraging Kurdish independence movement--US Embassy London has been informed by the British Foreign Office that the Soviet Minister in Beirut has advised the Syrian Kurds not to join in the Arab fight against the Jews in Palestine but to hold themselves ready to fight soon for an independent Kurdistan. The Foreign Office believes that Soviet support of Palestine partition is based on a desire to establish in the Middle East a "partition precedent" which can be used to weaken seriously Iran, Turkey, and Iraq.

(CIA Comment: CIA agrees that the USSR hopes to establish a precedent for partition which will facilitate the establishment of an independent Kurdistan and the expansion of the Armenian and Azerbaijan Soviet Republics.)

EUROPE

3. ITALY: Possible Communist violence--The US Military Attache in Rome believes that: (a) if the prospects for a strong Popular Front plurality in the April elections continue, the Italian Communists will not attempt any violence until

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after the elections; and (b) if the likelihood of such a plurality strongly decreases, serious pre-election violence by the Communists is definitely a possibility. The MA further believes that if the Leftist bloc receives a large plurality in the elections and if the Government maneuvers to exclude the Communists from governmental participation, a resumption of violence and strikes will occur.

(CIA Comment: CIA concurs in the estimate of the MA.)

FAR EAST

4. CHINA: Government's exchange assets nearing exhaustion--
A Central Bank of China official has informed US Embassy Nanking that the bank's US dollar reserves are "virtually exhausted" and that only "some" gold and silver reserves remain. The Embassy comments that, in view of the recent sharp break in the black market exchange rate of Chinese national dollars and recent Government requests for advances of US funds to cover petroleum and cotton imports, this report is "possibly true." (The financial adviser to the Chinese Government told Ambassador Stuart last November that China's official reserves might be completely exhausted by April 1948.)

(CIA Comment: CIA believes that: (a) the Chinese Government's present holdings of uncommitted foreign exchange at the Central Bank and other government banks are quite small; and (b) very probably these official holdings will soon reach rock-bottom levels.)

THE AMERICAS

5. PARAGUAY: Position of President-elect Gonzalez strengthened--
The US Military Attache in Asuncion reports that President Morinigo has removed the army chief of staff and has ordered the arrest of other army officers who are in opposition to President-elect Gonzalez.

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(CIA Comment: Other reports from the field indicate that Gonzalez: (a) now has effective control of the army and no successful opposition can be expected; and (b) will maintain an authoritarian, one-party government.

6. COSTA RICA: Truce negotiations continuing--According to US Embassy San Jose, there is "some prospect of success" for present negotiations for resolution of the political impasse in Costa Rica.

(CIA Comment: Further delay in resolving the present situation will make it more difficult for responsible leaders of both the Government and the opposition to prevent serious civil conflict and bloodshed.)

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GENERAL

1. Czechoslovaks believe USSR willing to risk war--US Ambassador Steinhardt has been told by "an informant who has access to one of the members of the new Czechoslovak Cabinet" that the Deputy Foreign Minister of the Soviet Union recently confided in Premier Gottwald the possibility that war will break out "when the weather gets better." Steinhardt's informant gained the impression that the Czechoslovak Cabinet's present view is that the Soviet Union regards the establishment of Communist-dominated governments throughout Europe before the fall of 1948 as essential and has decided to devote every effort to that end during the next few months despite the possibility of war with the western powers.

(CIA Comment: CIA does not believe that the USSR is presently prepared to risk war in the pursuit of its aims in Europe.)

2. US support of western European union recommended--US Embassy The Hague comments that the Dutch people view the speed and scope of the negotiations for a western European union as a very real crystallization of anti-Communist sentiment and as an indication that a neutral position is no longer possible. The Embassy stresses that further evidence of US support for the treaty would be particularly valuable and suggests either a strong White House endorsement of the treaty or a joint Congressional resolution to indicate that the US is aware that the western European democracies are defending democratic principles.

US Charge Millard in Belgium points out also that the five powers represented in the Brussels negotiations would be disappointed if some official US statement supporting the treaty did not accompany its publication.

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EUROPE

3. **FINLAND:** Paasikivi less apprehensive about Soviet pact--
US Minister Warren was informed by Field Marshal Mannerheim (before his departure for Switzerland) that President Paasikivi is less nervous and depressed over the pending Soviet-Finnish pact negotiations. The President is reportedly considering limiting the powers of the Finnish delegates so that they will serve merely as messengers to transmit material for decisions to be made in Helsinki.

4. **ITALY:** Communist coup reportedly planned for 15 April--
US Ambassador Steinhardt in Prague has been informed by a source with "close contacts with well-informed Communist circles" that a Communist "putsch" in Italy is planned for 15 April (three days before the Italian elections).

(CIA Comment: CIA has no evidence indicating that the Italian Communists have abandoned their plan to obtain participation in the Italian Government by electoral means.)

5. **GERMANY:** Communist demonstrations planned--US Political Adviser Murphy in Berlin has learned that the Communists are planning propaganda demonstrations for 18 March, the 100th anniversary of the liberal revolution of 1848. Murphy adds that the theme of these demonstrations will be "German unity" and that the chief Communist mouthpiece will be the Peoples Congress in Berlin.

(CIA Comment: CIA believes that such demonstrations are being planned and that the Communists will make an accompanying demand for a referendum on German unity. Because such a request for a referendum will be associated with the USSR, it is expected to meet with little popular response in the western zones.)

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FAR EAST

6. **INDONESIA: Agreement on Dutch and Republican demobilization--**
The US delegation of the Good Offices Committee reports from Batavia that Premier Hatta of the Indonesian Republic and Acting Governor General Van Mook of the Netherlands East Indies Government have reached agreement in principle regarding the mutual reduction of armed forces and the eventual merger of Dutch and Republican forces into a national army of the United States of Indonesia. The US delegation indicates that, in order to help Hatta work out the complex problem of demobilizing over 200,000 Republican troops within a time limit acceptable to the Dutch, it proposes to adopt the following plans: (a) secure at least a token Dutch demobilization at once and give it wide publicity; (b) widen demilitarized zones wherever possible; (c) offer Premier Hatta, if both parties approve, the services of a US military adviser.

(CIA Comment: The reduction and merger of Dutch and Republican forces was the issue over which negotiations collapsed in July 1947. An agreement on this matter, even if only "in principle," represents a significant advance toward the restoration of peace in Indonesia. CIA believes that only through the Good Offices Committee can Dutch impatience with the pace of Republican demobilization be restrained sufficiently to avoid jeopardizing this progress toward peace.)

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GENERAL

- 1. Italy will not enter western European union now--According to US Ambassador Dunn in Rome, Premier De Gasperi thinks that Italy's participation in the Brussels five-power agreement would be inadvisable at present because of the impending Italian elections and the lack of a qualified Italian parliament. De Gasperi expressed his approval of the agreement and the hope that Italy might eventually become a party to it.

(CIA Comment: The present Italian assembly is not a "qualified parliament" because it was elected provisionally, for the purpose of drawing up an Italian constitution. In deciding that it is not advisable to join the western European union prior to the Italian elections, De Gasperi probably is largely influenced by the widespread fear among the Italian people that any military alliances may result in Italy's becoming once again a battleground.)

- 2. Turks fear war may be imminent--US Ambassador Wilson in Ankara reports that Secretary General Carim of the Turkish Foreign Office is "deeply pessimistic" over the international situation. Carim fears that the USSR is prepared to begin open war at any time and that the initial attack might be directed against Turkey. According to Wilson, Carim reasons that in view of the hardening attitude of the western democracies, the USSR will be relatively weaker a year hence and would therefore gain by precipitating action now. Carim believes that the Soviet armies would quickly over-run western Europe and the Middle East.

(CIA Comment: CIA does not believe that the USSR plans a military venture in the immediate future in either Europe or the Middle East.)

EUROPE

- 3. GREECE: French MA predicts offensive from Albania soon--US Ambassador Caffery in Paris transmits a report that the

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French Military Attache in Belgrade has observed "important military preparations" during a recent trip to Albania and has concluded that military operations on the Greek-Albanian frontier will begin in the near future. The French MA also reported the enlargement of partisan training camps, the formation of new combat units, the movement of heavy truck traffic toward the south, and the presence of about 100 Soviet doctors and surgeons in Tirana (Albania).

(CIA Comment: CIA concurs with this estimate of the possibility of such an attack, which would be timed to precede the Greek Army's spring offensive and to take place before US aid can become effective.)

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GENERAL

1. US diplomatic missions to remain in Balkans --The Department of State has advised US missions in Hungary, Rumania, Bulgaria, and Yugoslavia that US representation in the Balkan states will be maintained to aid in the attainment of ultimate US objectives there. The Department declares that the US desires the re-establishment of these Soviet Satellite states as "democratic, independent members of the family of nations."

EUROPE

2. AUSTRIA: New effort to clarify Soviet treaty position --The US delegate to the Austrian treaty discussions in London reports that the deputies of the western powers have agreed that a concerted effort should be made to force the Soviet delegate to state what concessions, if any, the USSR is prepared to make now. The delegate adds that if such a Soviet statement is delayed, the western delegates propose to devote the time intervening to a consideration of the remaining treaty issues.

(CIA Comment: Any modification of the present Soviet position will probably be minor and designed primarily to avoid Soviet responsibility for a breakdown in the negotiations.)

3. FRANCE: De Gaulle hopes for agreement with "third force" -- A high official of De Gaulle's Rally of the French People has informed US Embassy Paris that De Gaulle has no desire to make Premier Schuman's position untenable and hopes instead to reach an agreement with the majority of the "third force" (the present moderate coalition). The Gaullist official declared that the "general climate" for such a party union is definitely improved.

(CIA Comment: This modification of De Gaulle's earlier complete hostility to the "third force" is undoubtedly prompted by the gravity of the international situation and by a realization of the consequent need for cooperation among all anti-Communist elements in France.)

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GENERAL

1. Preliminary reactions to President's address--US Missions report that the democratic press throughout the world has enthusiastically received President Truman's 17 March address. US Legation Helsinki reports that the speech has strengthened the will of the Finnish Government, Diet, and people to resist the full Soviet treaty demands. The Associate Secretary-General of the Swedish Foreign Office has expressed to US Minister Matthews his confident opinion that the speech was "a great shock" to the Soviet Government. The Swedish official believes, however, that the recent statements of Henry Wallace may be given undue importance by the USSR and European Socialists. US Ambassador Smith in Moscow deduces from Molotov's unusually pale and weary appearance on 18 March that the President's address was the subject of an all-night Politburo conference.

2. Canada and France support UN membership for Italy--The US delegation to the UN has learned that France will support the US in another effort to obtain Security Council approval of Italy's application for UN membership. US Embassy Ottawa reports that Canada also supports this move.

(CIA Comment: The prospects for obtaining majority support for Italy's application now appear to be good.)

3. US supports neither UK nor Argentine claims in Falklands--The Department of State has instructed US Embassy Buenos Aires to inform the Argentine Government that the US: (a) does not intend to support the Falkland Island claims of either the UK or Argentina; (b) believes that the dispute should be settled under principles of international law; and (c) will take no action which might weaken the vital contribution of the UK in collaborating with the US against totalitarian elements.

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EUROPE

4. AUSTRIA: Suggested US policy objectives in Austria--The US delegate to the Austrian treaty negotiations in London has suggested that if these negotiations break down, the following policy objectives should be considered: (a) maintenance of the Allied Council's authority; (b) more autonomy and responsibility for the Austrian Government under existing provisions of the control agreement; (c) assurance that the Austrian cause has not been abandoned by the western powers because of the breaking-off of the treaty negotiations; and (d) encouragement of continued Austrian participation in "all plans designed for the greater unity of western Europe."

US to seek ending of Austrian treaty talks--The Department of State concurs in the view of the Austrian treaty delegation in London that efforts should now be made to terminate the negotiations, possibly before 28 March. The US deputy in London reports that the USSR is obviously prepared to make token concessions only for the purpose of prolonging the discussions.

FAR EAST

5. CHINA: National Government approaching crisis--US Embassy Nanking reports that the political and military disintegration of the National Government is "now rapidly approaching the long-expected climax." The Embassy adds that, "although we cannot see the Generalissimo voluntarily relinquishing his power, almost anything can happen."

(CIA Comment: The deterioration of the Nationalist position in Manchuria, recent Nationalist defeats in North China, Chiang's publicly-expressed pessimism regarding the prospects for suppressing Communist forces in Central China, and the spectacular rate of disintegration in the economic field all point to an impending crisis for the National Government. The full implications of this crisis may be revealed in Kuomintang Central Executive Committee meetings which begin on 20 March.)

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GENERAL

1. US to complain to USSR over jamming of "Voice of America"--
The State Department has instructed US Embassy Moscow to complain to Soviet authorities over the jamming of "Voice of America" broadcasts, and to request immediate remedial action. The Department has conclusive evidence that the jamming is intentional.

2. US-UK plan to arm Austrian police--The US Military Attache in London reports that local US and UK officials are agreed that attention should be directed now to the strengthening of Austria's security forces.

(CIA Comment: The need for a strengthened security force has become particularly important in view of Austrian forces now under Soviet control which the Austrian Ministry of Interior believes number 10-12,000.)

EUROPE

3. CZECHOSLOVAKIA: Reported fear of economic sanctions--
US Ambassador Steinhardt has been informed by several of his Latin American colleagues that the new Communist Minister of Foreign Trade is "frantically" seeking to enter into trade negotiations with Columbia, Brazil and Venezuela. Steinhardt adds that this action confirms his belief that the Czechoslovak Communists fear the consequences of economic sanctions by the West and realize that such sanctions might precipitate a crisis which even the Communist Government might not be able to weather.

(CIA Comment: CIA believes that, while Czechoslovakia would suffer intense economic dislocations as a result of such sanctions, their application would not bring about the downfall of the present regime.)

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NEAR EAST-AFRICA

4. **PAKISTAN:** Alarm over tribal situation in Kashmir--US Ambassador Alling in Karachi reports that Jinnah recently characterized the Kashmir tribal situation as "a million times more dangerous" than it was a few months ago. Alling is convinced that any plan for solving the Kashmir dispute which does not have both the appearance and substance of providing a strictly impartial plebiscite under neutral control is almost certain to make matters worse. Alling believes that if a plan providing these elements is offered, the Government of Pakistan can with good hope of success prevail upon the tribesmen and Kashmiris to cease fighting.

General Bucher (the British Commander-in-Chief of the Indian Army) has concurrently expressed to US Ambassador Grady in New Delhi the belief that Pakistan is fearful lest the 80,000 tribal raiders (only 12,000 of whom are actually in Kashmir) might turn against Pakistan after having exhausted the possibilities of obtaining loot in Kashmir, thus causing the breakdown of public order in West Punjab (Pakistan). According to Grady, Bucher himself believes that the tribesmen cannot pillage additional territory in Kashmir without suffering heavy losses from the Indian troops and may therefore move south into the East Punjab (India) for further looting.

FAR EAST

5. **CHINA:** National Government reorganization believed probable--US Embassy Nanking has been informed by a "usually reliable" Chinese source that Chiang Kai-shek is now turning from the Kuomintang's right-wing "CC Clique" to the more moderate Political Science Group. Source adds, however, that the latter Group is now dissatisfied with Chiang's lack of leadership and is contemplating a coup d'etat to replace him, if Chiang does not voluntarily step down from the presidency or "provide leadership required in the present exigency."

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The Embassy considers a coup d'etat unlikely because Chiang is almost certainly aware of the growing sentiment against him in Government circles and is adroit at political maneuvering. However the Embassy considers that some Government reorganization in the near future is probable and believes that this will result in more effective leadership and more positive policies than now exist.

(CIA Comment: CIA believes that Chiang is probably capable of overcoming the reported internal opposition and will remain in power at the present time, but in so doing will have to make adjustments with various factions within the Kuomintang. These maneuvers may take place at the current meetings of the Party's Central Executive Committee currently in session. However, CIA believes that any change in the composition of the present Government, directed toward either eliminating Chiang or reducing his influence, would weaken Nationalist will to continue fighting the Communists and would increase Nationalist tendencies to seek a compromise political solution of the civil war.)

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GENERAL

1. Rumors of Turkish-Soviet pact denied--US Embassy Ankara transmits its opinion that reports of a pending Turkish-Soviet non-aggression pact have no basis in fact.

(CIA Comment: CIA agrees with Embassy Ankara.

The Turks might be willing to sign a friendship pact with the USSR, in the unlikely event that the latter withdrew its claims to Turkish territory and abandoned its demands for special privileges in the Straits. However, Turkey would not agree to any treaty which might prejudice its relations with the US or its alliance with the UK.)

2. Favorable western reaction to President's speech--Ambassador Kirk in Brussels reports that the Foreign Ministers of the UK, France, and the Benelux countries all have expressed admiration at the frankness of the President's message to Congress and their feeling that President Truman has done everything in his power to assist the western European union.

EUROPE

3. FRANCE: Growing optimism on French internal situation--US Ambassador Caffery reports that a number of French Cabinet Ministers and high officials have told him that they are encouraged by President Truman's message to Congress and believe that its initial reaction has been to bolster the morale of anti-Communists in France. The Political Bureau of the Communist Party has reacted bitterly to the speech. A high official of the French Interior Ministry predicts, however, that there will be no Communist offensive in France in the next few weeks. He believes that, barring a serious deterioration of the French economy or a serious decline in the international situation resulting from developments in Italy, the French Communists will find it difficult to launch a successful general offensive even after the Italian elections.

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4. GREECE: US Embassy views on Greek-US-UK staff talks --
US Embassy Athens believes that it would be a serious mistake for the US and UK to refuse outright the Greek Government's request for staff talks (on joint plans for the use of Greek, US, and UK forces on Greek territory in the event of offensive action by the Soviet bloc). The Embassy feels that under such circumstances: (a) the US might find itself in a highly embarrassing position as a result of the limitation it has imposed on the size and equipment of the Greek armed forces; and (b) it would be even more difficult to explain the refusal to inaugurate staff talks prior to the event on the grounds that "the time was not appropriate." The Embassy emphasizes the gravity and urgency of the Greek situation and expresses the opinion that the present margin of safety does not warrant proceeding on the basis of limited commitments.

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CONFIDENTIAL~~**FOREIGN REACTION TO THE PRESIDENT'S SPEECH**

Available preliminary reactions to President Truman's 17 March address have in general been extremely favorable among Western Powers and in Latin America. The speech, which has been given wide distribution, apparently has had a markedly heartening effect on the morale of democratic-minded elements, and it has hardened the will to resist Communist forces in those countries most directly menaced by Soviet-Satellite political and economic penetration. The speech has been widely hailed by democratic leaders as the maximum possible support to the recently established Western European Union. This enthusiastic response has in general been accompanied by expressed hopes of ultimate US military guarantees, in support of the European recovery program and western union, and by a declared recognition that the long-range effectiveness of the President's statements will depend upon the extent to which the US Congress implements his proposals. Non-Communist European spokesmen and press commentators have widely described the speech as a "final" or blunt warning to the USSR, but expressions of opinion that the speech may hasten the advent of war are outnumbered by expressions of relief that the address did not take the form of an ultimatum and, while firm in tone, avoided provocative language.

In some parts of the non-Communist world, the response was tempered or equivocal. Official Chinese reaction is still lacking, but the Chinese press moderated its praise with undisguised disappointment, and even strong criticism, because the Far East in general and China in particular were not mentioned in the President's message. The initial enthusiastic response by the Government-controlled press in Spain was followed by a semi-official expression of pique at Spain's exclusion from the European recovery program.

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Strong criticism and unfavorable reaction to the speech was, with few exceptions, confined to the Communists. With the exception of a 22 March editorial in PRAVDA which may give an indication, the USSR itself does not appear to have laid down its formal propaganda line on the address; this is presumably because the Kremlin customarily takes at least a week to formulate its response to a major foreign pronouncement or action. In the meantime, the Soviet press has given little attention to the speech and has relied for comment predominantly on selected reprints of criticism expressed by US or foreign sources. The Soviet and world Communist press has thus made maximum use of Henry Wallace's attacks on the speech, both as appropriate comment and as indications of division within the US. PRAVDA's lone editorial comment sought to dispose of the speech as primarily election campaign propaganda designed to divert US public attention from the effects of ill-advised internal and foreign policies. The Communist press outside the USSR, pending guidance from Moscow, has followed a familiar pattern: (1) by citing the speech as further evidence of US imperialism, war-mongering, and interference in the affairs of other nations, and of the evolution of a police state and capitalist dictatorship in the US; (2) by contrasting Soviet efforts toward demobilization and peace with US militaristic tendencies; and (3) by reiterating standard attacks on US motives and intentions.

An indication of specific significant reactions by areas follows:

UK: British reaction, including that of Foreign Office officials, has been extremely favorable. Foreign Office officials have expressed their "genuine and hearty approval." The responsible press considers that the speech marks an historic milestone in the development of US foreign policy because it reflects a US decision that military support is necessary to bolster economic aid abroad; the prevailing belief is that, if the President's recommendations are implemented, international

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Communism can be effectively contained. An undercurrent of anxiety lest the speech increase general tension is overshadowed by an overwhelming reaction of relief that the US appears to be moving to support its foreign economic program with military guarantees.

THE DOMINIONS: Official reaction is largely lacking. Other reaction, however, has been favorable in Canada and New Zealand, though mixed in Australia. The Australian press considers the US to be in a state of "war jitters."

SCANDINAVIA: Official reaction is lacking; indications are, however, that it is generally favorable. The Swedish Foreign Minister, however, still appears to cling to his deep-set confidence in a policy of strict neutrality.

EUROPE: In non-Communist official circles, the response has generally ranged from favorable to enthusiastic. One exception is in Spain where semi-official expressions of pique at Spain's exclusion from the European recovery program followed praise which was initially expressed by the government-controlled press. The Foreign Ministers of France, the Benelux countries, and Austria have warmly approved the address and expressed the belief that it will give new courage to anti-Communists everywhere. French reaction was also marked by relief that the message was couched in non-provocative terms and by some expressions of official concern lest US public and Congressional reaction should be unfavorable and tend to disillusion those Frenchmen who have been heartened by the address. This concern also has found expression in Austria. In Finland and Trieste the speech has reportedly resulted in a marked bolstering of the will to resist among anti-Communists. The Finns may thereby be emboldened to turn down Soviet proposals for any alliance except a conventional friendship pact. In Trieste, however, some concern has been expressed that the speech came "too late," will "bring war closer," and may cause a Communist resort to violence or lead to Yugoslav occupation of the area.

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NEAR EAST: The speech to Congress was given extensive coverage and in most instances was received very favorably. The general Arab reaction to the speech is not yet known. The most enthusiastic reception was evidenced in Greece and Turkey. President Inonu of Turkey praised the speech as "the only language the USSR would understand." The Greek press generally interpreted the speech as evidence of a new and firmer US policy, but some fear was expressed that war may have been brought closer.

FAR EAST: Although official comment is still lacking, the principal significant Chinese reaction has been expressed regret that the President failed to mention the Far East. Praise for the address thus has been tempered by disappointment and even by predictions that a policy of "Europe first" will lead to catastrophe. President Roxas of the Philippines has given his strong personal support to the speech.

LATIN AMERICA: Reports of reaction have so far been received from 8 of the 20 Republics, indicating favorable response from all groups except the Communists.

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GENERAL

1. Further reaction to the President's speech--US Ambassador Kirk in Brussels reports that both Premier Spaak and Foreign Minister Bevin have expressed their pleasure with President Truman's message to Congress. Spaak considers that the best US policy at present would be to support the Brussels pact with full moral and material aid but to assess Soviet reaction before undertaking anything more positive. Bevin believes that the USSR "needs plain speaking" and that it is neither ready nor willing to launch a war. He even considers Stalin a "strong stabilizing influence" against war. Kirk says that Bevin apparently does not expect much more than moral and material aid from the US at this time.

(A summary of available foreign reaction to the President's address is published as an appendix to this issue of the Daily Summary.)

2. US-French-UK policy on Czechoslovakia--The Department of State has suggested to the US delegation to the UN that in handling the Czechoslovak case, the US: (a) should not be the active proponent in making charges against the USSR or in advancing any proposals in the case; (b) should support the establishment of a Security Council investigating commission until vetoed by the USSR, while avoiding any open showdown with the USSR; and (c) should fully exploit the political opportunities of the case, possibly laying the foundation for reference to the General Assembly or the "Little" Assembly of the general problem of indirect aggression.

US Embassy Paris has learned from a Foreign Office official that preliminary French thinking, while favoring full debate on the Czechoslovak case, questions the wisdom of pressing for establishment of an investigating commission. The French feel that such a move would only bring about another veto by the USSR, thereby again demonstrating the impotence of the UN. (The British reportedly favor submitting

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a resolution to establish an investigating commission in order to impose upon the USSR the necessity for another veto.)

3. Preliminary Arab reaction to US stand on Palestine favorable-- Arab satisfaction with the new US proposals regarding UN trusteeship for Palestine has been expressed to US representatives by King Ibn Saud, the President of Syria, the Iraq Government, and a member of the Palestinian Arab Higher Committee. A Saudi Arabian Foreign Office spokesman has assured US Minister Childs in Jidda that Saudi Arabia is prepared to use its influence to end violence in Palestine; Musa Al Alami of the Arab Higher Committee has indicated to US Embassy Baghdad that Arab moderates favor immediate discussions with the Jews regarding a Palestine settlement. An official of the British Foreign Office has expressed to US Embassy London his belief that the idea of a truce in Palestine and the possibility of reassembling the UN General Assembly have great merit and will "broaden the field of maneuver." However, the official considers it likely that the Palestine Jews will attempt to set up a Jewish state in the near future.

EUROPE

4. USSR: Possibility of conciliatory statement by Stalin--US Embassy Moscow transmits rumors, in which it places some credence, that Stalin may attempt "to confuse the issue" by making a public statement emphasizing the USSR's "peaceful intentions." The Embassy notes that this stratagem has been used repeatedly and somewhat successfully in the past and warns that, if repeated, the US should take care not to drop its guard. The Embassy urges that, should such a statement from Stalin be forthcoming, the State Department be prepared to issue an immediate comment to the effect that while any "friendly statement" is welcome, the US must await its "concrete implementation" before giving it "any credence."

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THE AMERICAS

5. **COSTA RICA: Foreign intervention in crisis--US Embassy San Jose (Costa Rica) reports that President Picado has returned to Costa Rica after having gone to Nicaragua, government operations against the Costa Rican rebels are apparently continuing, and the situation remains relatively unchanged. The Department of State has informed Nicaragua's General Somoza of its "deep concern" over intervention by other countries in Costa Rican internal affairs and has instructed US Embassy Guatemala City to request a statement of Guatemala's position regarding the present situation in Costa Rica.**

(CIA Comment: CIA believes that although US pressure may succeed in reducing active Guatemalan and Nicaraguan governmental participation in the Costa Rican crisis, this pressure will not solve the basic problem posed by the already deep involvement of Guatemalan and Nicaraguan interests and rivalries in the present Costa Rican impasse.)

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EUROPE

1. DENMARK: Precautions taken against rumored Soviet action--
US Ambassador Marvel reports that the Danes have taken the precautionary measures of cancelling Army and Navy leaves (customarily granted during the five-day Easter holiday) and of alerting the police, because "there is some Danish thinking" that the USSR may attempt to take the isles of Laaland and Falster (southeastern part of Denmark). Danish officials have told Marvel that all-out resistance will be offered to such a move. Marvel believes that the likelihood of such Soviet action at present is remote.

(CIA Comment: CIA agrees that Soviet seizure of these islands is at present unlikely. The USSR would presumably take such a step only as a part of a much larger military operation which appears unlikely during 1948.)

2. SWITZERLAND: Italians to return for April elections--
According to US Legation Bern, arrangements have been made for over half of the approximately 100,000 Italians in Switzerland to return to Italy to vote in the April elections. A great majority of these Italians are expected to vote against the Communists.
3. SPAIN: US disappointment with reaction to proposals--The Department of State has authorized Embassy Madrid to express casually to high-ranking Spanish officials US disappointment with the negative Spanish reaction to US proposals for strengthening US-Spanish relations. The Embassy is instructed to say that the Spanish attitude is not conducive to any change in: (a) the present US policy of refusing Government credits to Spain; (b) the disinclination of European countries to include Spain in their cooperative efforts; or (c) the basic UN position on Spain.

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4. **FRANCE: Strengthening of French-Italian border** --US Ambassador Caffery has learned from a reliable official that the French intend to strengthen their troops along the French-Italian frontier (until after the Italian elections) and possibly also along the French-Spanish border, in order to forestall possible coordination of a Communist offensive in France with Communist action in northern Italy and Spain.

(CIA Comment: In view of the current decrease in Italian Communist prospects for victory in the April elections, the Communists may launch a surprise insurrection, concentrating their efforts in north Italy. Their ability to maintain control of that area would depend upon the extent of aid received from Communists in other countries.)

FAR EAST

5. **KOREA: New Soviet maneuver on power** --US Political Adviser Langdon reports that a letter has been received from the Soviet Commander in North Korea, stating that the US has failed to fulfill agreements concerning payments for electric power supplied to South Korea by North Korea and therefore: (a) the USSR "can no longer act as mediator between the US Command and the North Korean People's Committee" in the matter of supplying power to South Korea; and (b) any further negotiations on this matter must be conducted directly with the People's Committee. Langdon considers the Soviet letter an attempt to expedite payment by the implied threat that the People's Committee will shut off power more readily than the USSR.

(CIA Comment: US inability to meet the difficult Soviet terms concerning method of payment has long been a source of friction in the power negotiations. CIA believes that, in addition to being an attempt to press for a settlement, the Soviet action represents another step toward recognition of the autonomy of the North Korean regime.)

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GENERAL

1. UK plans to remain neutral on Palestine problem--According to US Embassy London, the British Foreign Office has instructed Sir Alexander Cadogan to inform the US delegation to the UN that while the UK sympathizes with the motives of the US in attempting to avert civil war in Palestine, the UK cannot depart from its present neutral attitude in the Security Council. The Embassy believes that: (a) British officials dealing with the Palestine problem personally approve of the new US attitude; but (b) the British Cabinet and politicians are afraid that the British public would react strongly if an attempt were made to keep UK troops in Palestine, even for a short while beyond the announced period.

2. Arabs may set up provisional Palestine government at once--Secretary-General Azzam Pasha of the Arab League has informed US Charge Memminger in Damascus that the Arabs are "seriously considering" immediate establishment of a provisional government for Palestine, in order to offset the projected establishment of a Zionist state as announced by the Jewish Agency.

(CIA Comment: An Arab provisional government, if established, would undoubtedly contemplate a unitary state embracing all of Palestine.)

3. Arab Higher Committee believed willing to accept truce--A high official of the (British) Palestine Government has expressed to US Consul Macatee in Jerusalem his belief that although the Arab Higher Committee for Palestine would probably express public opposition to a truce with the Jews, it would privately be "open to reason." The UK official thus believes that the Arabs may be persuaded to accept a truce. The official added that the UN must immediately send representatives to arrange a truce if bloodshed is not to continue on a greater scale.

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EUROPE

4. ITALY: Yugoslav infiltration across Adriatic--US Navy sources in the Mediterranean report the frequent landing along the Italian Adriatic coast of persons who claim to be fleeing from Yugoslavia. The Italian Navy and Carabinieri reportedly are unable to prevent coastal infiltration and smuggling of munitions.

(CIA Comment: Such Yugoslav activity is probably designed to assist Italian Communists who are politically dominant along the Adriatic coastline from Pescara to Bari.)

5. GREECE: AMAG proposes temporary increase in Army--AMAG Chief Griswold has requested the Department of State to authorize an immediate temporary increase of 15,000 in the overall strength of the Greek Army. The proposed increase would be for a period of six months and would permit the calling-up of 45,000 younger recruits in 3 two-month training groups. Griswold points out that the Greek Army is now totally committed, no replacements are available, and the call-up is needed to provide adequate replacements for both the army and the National Defense Corps. Griswold adds that the increase would have substantial morale value among both civilians and the military--particularly the Defense Corps where morale is poor, in part because of resentment that younger men without family attachments have not been called up.

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EUROPE

1. ITALY: De Gasperi encouraged over electoral chances--According to Ambassador Caffery, French Foreign Minister Bidault reports that De Gasperi appears encouraged over prospects in the coming Italian elections. Bidault reported that De Gasperi expects to win as many seats as the Communist-Nenni Socialist combination. Ambassador Kirk reports that although Belgian Foreign Minister Spaak fears the Italian Communists will poll somewhat more than 30% of the vote, he feels that, as long as Communists remain in the minority, there would be no reason for De Gasperi to take them into the Italian Government.

(CIA Comment: CIA believes that the recent Trieste proposal has weakened the Italian Communist position in Italy and that De Gasperi has grounds for feeling encouraged; see Weekly Summary of 26 March, page ii.)

Government opposed to probe of Satellite forces--Italian Minister of Interior Pacciardi is reported by US Embassy London to have declared recently that the Italian police is "an effective fighting unit equipped with all sorts of arms and has had battle training for use in quelling civil disturbances." Pacciardi consequently expressed the hope that the US and UK will not press the Satellites, principally Bulgaria, for information regarding their para-military organizations with a view to accusing them of treaty violations. The Embassy reports that the UK Foreign Office concurs in Pacciardi's fear that the USSR might retaliate by making accusations regarding the Italian police.

(CIA Comment: Pacciardi's anxiety is based on the fact that the Italian Army and the Carabinieri (National Police), in anticipation of possible Communist insurrection, currently exceed the peace treaty ceiling of 250,000.)

2. AUSTRIA: Possible Soviet course in treaty negotiations--The US deputy to the Austrian treaty discussions believes that when these discussions are resumed the USSR will either:

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(a) make a further minor modification of its position and thus increase pressure from Austria for acceptance of Soviet terms; or (b) stand firm on its present position and let the western powers take the initiative in breaking off the discussions. The US deputy remarks that the French and UK delegates are not disposed to make further concessions. The US delegation feels that the US position has not been strengthened by the London discussions and that continuance of these discussions will not be helpful.

(CIA Comment: The USSR probably will make further minor compromises as a means of prolonging negotiations and placing the onus of responsibility on the western powers for the eventual breakdown in the treaty negotiations.)

Effect of treaty discussions on Austrian Socialists--

The US delegation to the Austrian treaty negotiations reports that Austrian Socialist leaders now in London consider that the Austrian treaty "must be obtained at any cost." The Socialists apparently believe that the US does not desire to conclude a treaty at this time. The US delegation observes that if this Socialist interpretation of the US position is official, it raises a serious question concerning the possible impact of any break in the London negotiations on the Austrian Socialist Party.

(CIA Comment: While the prospect of prolonged quadripartite occupation will be discouraging to both major parties of the Austrian coalition Government, CIA doubts that a breakdown in the present treaty discussions, of itself, will precipitate a collapse of the coalition.

Recommendations to counter possible Soviet action--

US Legation Vienna suggests that, in the event of a breakdown in the London negotiations, the US take the following short-term action to counter possible Soviet moves in eastern Austria: (a) establish promptly a food reserve in Vienna to enable the US to assist the Socialists in retaining control of the trade unions; (b) distribute arms, including automatic weapons, to the Austrian police; and (c) at the close of the negotiations, join with France and the UK in issuing a statement that the

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three powers will remain in Austria until a satisfactory treaty is concluded and will meanwhile take all necessary measures to assist Austria to preserve its independence, sovereignty, and unity.

(CIA Comment: CIA believes that these measures can effectively check Communist action in eastern Austria, so long as the USSR continues to assume a relatively passive role.)

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GENERAL

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1. US position on Antarctic disputes--The Department of State has informed the UK that (a) the US has postponed moves to sound out interested governments with a view to resolving Antarctic disputes through diplomatic discussions; and (b) the US does not object to the British proposal to tell Argentina and Chile informally that the UK will confer with them over the disputed Antarctic islands after the Bogota Conference, if they do not press the issue at Bogota. The Department has informed US Embassy London that the US would not be averse to a mutually satisfactory British-Argentine-Chilean settlement of overlapping claims in the islands "which would safeguard essential points of British interest."

2. Support for Chinese resolution on Kashmir case--The US delegation to the UN reports that the US, UK, Canada, and Belgium have agreed to support amended Chinese proposals to the Security Council for the settlement of the Kashmir case, upon the understanding, however, that they were not committed to the plan and remained free to accept changes suggested either by India or Pakistan. UK Cabinet Minister Noel-Baker has told the US delegation that he is optimistic about the possibilities of a settlement on the basis of these Chinese proposals.

EUROPE

3. DENMARK: Acute nervousness continues--US Ambassador Marvel has been told by Foreign Minister Rasmussen that the Danish Government is acutely nervous. Rasmussen considers that for the immediate future Denmark has little chance of being invited to join the Brussels treaty; he referred to the view of Netherlands Premier and Foreign Minister that no country should be invited until the five original members had "consolidated their situation." Rasmussen also doubts that participation would ensure potential military assistance.

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Referring to his Government's mid-March request for US arms, Rasmussen said Denmark might be forced to follow Norway in requesting US military guarantees. He declared that he disliked joining Norway in breaking up Scandinavian solidarity, but, because it is satisfied that Sweden would remain neutral, Denmark must determine her course independently.

4. **TRIESTE: Implications of possible transfer to Italy--US Political Adviser Joyce reports that the initial emotional outburst of enthusiasm in Trieste over the US-UK-French recommendation for the return of the Territory to Italy has been followed by "sober second thoughts" on the implications of an Italian Trieste. Joyce attributes this moderated enthusiasm to the belief prevalent in Trieste that (a) without UK-US military protection and economic support, Trieste as part of Italy would inevitably stagnate and lose half of its population; and (b) Italy is in no position politically, economically or militarily to protect its northern frontiers against a Communist and hostile Yugoslavia, unless US-UK troops remain in Trieste or the Italo-Yugoslav border is guaranteed under a military alliance between the US, the UK, and France.**

5. **GREECE: Griswold pessimistic over prospects--AMAG Chief Griswold reports that, because the Greeks are increasingly fearful of the international situation, a crushing defeat of the guerrillas will not create the psychological factors essential for economic recovery to the extent previously anticipated. Although Griswold says that the internal military situation in Greece is improving, he fears that as the guerrillas south of the actual frontier zone are seriously threatened by the Greek Army, foreign aid to the guerrillas may be increased to such an extent that serious military and political as well as psychological consequences might develop--especially if the guerrillas should succeed in capturing any town sufficiently large for a "capital" for the Markos junta. Griswold adds that many Greeks are trying to avoid taking sides in the present struggle, because they fear ultimate Communist domination and desire to be with**

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the winning side, or at least not to have opposed it. For this reason, Griswold doubts that invasion by Soviet or Satellite forces would galvanize Greece into unity as did the Italian invasion in 1940.

(CIA Comment: CIA agrees that it would now be difficult to unify the Greeks against an attack by the Satellites. The issues are more complicated than in 1940, and the Greeks are now psychologically exhausted. Moreover, even should the Satellites decide to take over Greece by violence, their method would be infiltration--however rapid--rather than a frontal attack which could be recognized and resisted as such.)

6. **GERMANY:** USSR may close Eastern Zone border--US Political Adviser Murphy reports from Frankfurt that a usually reliable source has advised US intelligence authorities that all gendarme officials from southern and western Thuringia met on 15 March at Soviet instigation and were informed of an alert plan for which they were to prepare immediately. The plan is allegedly to be put into effect when Soviet officials move to abolish the Christian Democratic Union and the Liberal Democratic Party and arrest the parties' leaders. The gendarmes reportedly will reinforce the border police in order to prevent the escape of the political leaders into the western Zones.

(CIA Comment: Although US border detachments have not reported physical evidence of a tightening of the border, such a Soviet move may be imminent; this step might also be taken in connection with a purge of "unreliable" elements from the Socialist Unity Party. The move probably would not foreshadow interruption of US, UK, and French traffic with Berlin.)

7. **FRANCE:** Italians must go home to vote--US Ambassador Caffery reports that the French Government has refused to allow Italian diplomatic representatives to distribute ballots for the 18 April elections to the approximately 600,000 Italians resident in France,

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though Italian law permits such voting. The French have informed the Italian Government that they cannot permit a procedure which amounts to holding Italian elections in France, but they will allow Italian consular authorities to circulate registration cards for use by Italians who may wish to return home to vote. Caffery adds that the French estimate that several hundred thousand of these Italians would vote Communist if they were given an opportunity to vote in France, but that few would return home to vote.

(CIA Comment: While French refusal to permit Italian nationals to vote in France might appreciably reduce the Italian Communist vote, it will give Italian Communists useful propaganda against the "undemocratic" processes of the western powers.)

8. SPAIN: UK-French view on participation in recovery plan-- US Ambassador Caffery has been reliably informed that Bidault has told the Portuguese Foreign Minister that it is politically impossible for either France or the UK to include Spain in the European recovery program or in the Western European Union at this time. Bidault reportedly added that the French and UK attitude might become much more favorable if the Franco regime gives some outward evidence of democratic evolution.

FAR EAST

9. BURMA: Developing Government crisis-- US Embassy Rangoon reports a complete breach between the Government and almost all Burmese newspapers has developed as a result of recently-imposed Government censorship regulations. Even those which formerly supported the Government now are charging it with fascist tendencies. The Peoples Volunteer Organization (PVO), one of the two principal groups in the Anti-Fascist League (the government party), has invited Burmese Communists and other anti-government groups to meet on 28 March and launch a campaign to oust the Socialists from the League and thus from the Government. In addition, more trade unions are threatening to join Communist-instigated strikes already in progress.

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(CIA Comment: The proposed anti-government meeting under PVO sponsorship will presumably end the uneasy PVO-Socialist cooperation in the Government. The Socialists in the Government control the police and may be expected to resist ejection from the Government by the quasi-military PVO. Armed conflict between these two groups is almost certain. Such a rift between the two strongest non-Communist groups in Burma would greatly increase the possibility of eventual Communist control of Burma.)

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GENERAL

1. UK official believes Arabs may distrust trusteeship proposal--
An official of the British Foreign Office has informed US Embassy London that he fears those Arabs "who have shown themselves in principle ready to talk trusteeship" will interpret the expression of President Truman's personal faith in the partition of Palestine as an indication that the US is maneuvering via trusteeship to obtain partition as a settlement of the Palestine issue.

2. US to withdraw trade concessions to Czechoslovakia--The Department of State has advised its representatives in countries which have signed the General Agreement on Tariffs and Trade that the US intends to seek immediate withdrawal of the tariff concessions which are made to Czechoslovakia under the terms of that agreement. The Department believes that the new Czechoslovak regime will not honor its obligations under the agreement and that the tariff concessions involved will benefit only Czechoslovakia.

3. US urged to bolster CEEC--US Ambassador Caffery in Paris reports that, despite encouraging progress on Committee of European Economic Cooperation (CEEC) organization, US observers have grave doubts that effective European economic integration can be achieved without prompt US action. These observers suggest that the US: (a) formally state its intention to place major responsibility for programming European aid requirements upon the CEEC, thus counteracting the tendency toward bilateral negotiations with the US; (b) urge strongly that specialized cooperative efforts, like the customs union study group and the multilateral clearing arrangement, be brought fully under the CEEC; (c) request the UK to reconsider its present reluctant approach toward full economic cooperation; and (d) instruct the US-UK occupation authorities in Germany to participate more fully in CEEC activities.

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EUROPE

4. GREECE: US approves proposed increase in Greek Army--
The Departments of State and Army have approved AMAG's proposal that the overall strength of the Greek Army be temporarily increased by 15,000.

Government promises prompt repeal of anti-strike law--
Prime Minister Sophoulis and Foreign Minister Tsaldaris have jointly informed US Charge Rankin and AMAG Chief Griswold that the Greek Government plans to repeal the anti-strike law while the National Labor Congress is still in session.

(CIA Comment: Although the drastic anti-strike law-- which makes strikers liable to the death penalty--has never been invoked since its adoption in December 1947, it has been criticized by the US press and US labor circles as being undemocratic. Its repeal should reduce this criticism and encourage greater US popular sympathy for the Greek regime.)

5. AUSTRIA: Modification in Socialist position on treaty--
Austrian Socialist Party Leader Schaerf has informed the US Legation in Vienna that the Socialists desire a treaty now only under conditions which: (a) guarantee full sovereignty and independence of Austria within its 1937 frontiers; (b) enable Austria to defend these frontiers; and (c) provide a sound basis for economic existence. The Legation points out that Schaerf's present view represents only a slight shift from his previous position. Schaerf now places increased emphasis on the vulnerability of the international zone in Vienna, and he expresses a fear that the Communists may be enabled to overthrow the Austrian Government by the inadequate armament of the Vienna police and the necessity for unanimity among the occupying powers before the Allied powers can intervene. Both US Minister Erhardt and Commanding General Keyes believe, however, that in the event of an attempted Communist coup, US forces would be required by the terms of their directive to protect the Austrian Government.

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(CIA Comment: Schaefer's insistence upon specific conditions for a treaty is designed primarily to strengthen the Socialist position in the event of a breakdown in the treaty negotiations.)

FAR EAST

6. CHINA: Reinforcement of Manchuria incorrectly reported--
US Consul General Mukden describes as incorrect: (a) a recent news broadcast stating that a relief caravan had reached Mukden; and (b) press reports that "heavy trained reinforcements" for Manchuria had reached Chinchow (125 miles southwest of Mukden). The Consul General adds that "Mukden continues isolated from intramural China" and that "the reinforcements consist of recruits with little or no training."

7. KOREA: Defense preparations north of 38th parallel--General Hodge believes that the current defense preparations immediately north of the 38th parallel are designed to create war hysteria among North Koreans in order to justify the expansion and maintenance of the (North) Korean People's Army and to prepare the people psychologically in the event that an attack on South Korea is ordered by the Kremlin.

(CIA Comment: CIA concurs with General Hodge's estimate.)

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GENERAL

1. UN members skeptical of trusteeship without US enforcement--
An Italian observer at the UN has informed the US delegation to the UN that delegations of the middle and smaller powers have unanimously expressed to him their skepticism about the advisability of going along with the new US position on Palestine without previous assurance of US willingness to participate in enforcing a trusteeship.

2. US position on Austria--In a review of the US position on Austria, the Department of State has expressed to the delegation for the Austrian treaty discussions in London its concern over recent statements by Austrian Socialist leaders that they desire "at any cost" a treaty which would lead to the withdrawal of occupation forces. The Department advises the delegation that the US: (a) recognizes the continued presence of Soviet troops to constitute a danger to the Austrian Government but feels that Austrian leaders overestimate Austrian ability to resist Soviet and Communist pressure once troops of the western powers are withdrawn; and (b) observes an increasing disposition of Austrian leaders to conclude that the US may readily be called upon to undertake extensive financial commitments in Austria without corresponding efforts on the part of Austrians themselves.

EUROPE

3. ITALY: Right-wing Socialists encouraged--According to US Embassy Rome, moderate Socialist Lombardo now feels that his Socialist Unity group may be able to "bite deep" into the ranks of the leftist Socialists before the election. The Embassy, which transmits Lombardo's request for letters of support from the British Labor Party, the American Socialist Party, and various US labor and progressive groups, considers that sympathetic US elements should encourage and support Lombardo's efforts.

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(CIA Comment: CIA believes that Lombardo's Union of Independent Socialists is the only group of the democratic Left that could attract enough votes among the Italian workers to represent these workers in a non-Communist coalition government after the elections.)

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GENERAL

1. Greeks may propose eastern Mediterranean union--According to US Embassy London, the British Foreign Office has learned that Greek Foreign Minister Tsaldaris intends to propose to Turkish Foreign Minister Sadak a Turkish-Greek declaration which would "go beyond the usual declarations of friendship." The proposed declaration would envisage an eastern Mediterranean union (along the lines of the western European union) and would include Turks, Greeks, and Arabs. The British Foreign Office indicates that it has no objection to the declaration.

EUROPE

2. USSR: Soviet Union unwilling to settle minor differences--US Ambassador Smith in Moscow reports, after a long discussion with Deputy Foreign Minister Vishinski concerning incidents producing friction between the US and the USSR, that the USSR obviously has no intention of taking any constructive action on such matters. Smith is convinced that Soviet protests and complaints for propaganda purposes can be expected whenever a suitable occasion develops.
3. FINLAND: Status of Finnish-Soviet negotiations--US Minister Warren in Helsinki has been informed by a Finnish cabinet minister that the USSR has rejected as a basis for discussion the proposed Finnish pact which would apply only in the event of war and would not: (a) require use of Finnish forces outside Finland; (b) involve Soviet intervention in Finnish internal affairs; and (c) provide Soviet military support except at Finland's request. The Finnish minister said that the USSR insists that the defense pact take effect upon "the threat of war."

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NEAR EAST-AFRICA

4. PALESTINE: Communications breakdown reported serious --
US Consul Lippencott in Haifa reports that the deterioration of transportation and communications has cut the Consulate off from immediate contact with Jerusalem or the outside. Lippencott says that: (a) telecommunications throughout Palestine have been seriously disrupted; (b) road travel is almost impossible and convoys are subject to frequent attack; (c) the police and the army admit their inability to deal with the situation and are concerned only with their own problems; and (d) it may soon become impossible to obtain food.

THE AMERICAS

5. COSTA RICA: Communist position in present civil war -- The US Military Attache in San Jose expresses the view that during the present situation in Costa Rica the Communist Vanguardia Popular party will not risk an "armed showdown" with non-Communist forces. The MA believes that the Communists will prefer to "go underground" in the event that their present position as active supporters of the Government forces "appears hopeless."

(CIA Comment: CIA concurs in this estimate.)

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