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**GENERAL**

1. Views on Soviet-Finnish pact negotiations --US Ambassador Smith in Moscow reports that the Finnish delegation in Moscow appears to be encouraged by the progress of the negotiations for a mutual assistance pact. Smith surmises that the USSR will probably demand another base in Finland and a general defensive treaty. Smith thinks that the Kremlin will not require the complete military and industrial integration provided for in other Soviet-Satellite treaties.

(CIA Comment: The USSR will probably not insist at present on obtaining additional bases in Finland. More likely, the Soviet Union will continue to demand that the Finns grant the right to move Soviet forces into Finland in case of the "threat" of aggression as well as in the event of "open" war.)

**EUROPE**

2. GERMANY: Soviet motives in threatening breakup of ACC -- US Ambassador Murphy believes that the primary considerations of the USSR in bringing the present Allied Control Council (ACC) machinery to a standstill are: (a) increasing concern over the effect on the Soviet position in Germany of both the present tripartite discussions on Germany and the fusion of the US and UK Zones; (b) possible difficulties in the administration of the Soviet Zone as a consequence of the present four-power regime in Berlin and free communications to Berlin from western Germany; and (c) a possible desire to use Berlin as the capital of a German government based on the "German Peoples Council" following the breakup of the ACC. Murphy points out that US withdrawal from Berlin, either voluntary or involuntary, would have severe psychological consequences at this critical stage in the European situation.

(CIA Comment: CIA concurs with the opinion of Ambassador Murphy. CIA believes, furthermore, that the maintenance or the loss of the Western position in Berlin will go far toward determining whether Western or Soviet influence will eventually dominate not only in Germany but in all Western Europe.)

Document No. 662  
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- 1 -

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

Date: 13 MAR 1978 By: 028

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3. CZECHOSLOVAKIA: Reported significance of 23 May elections -- US Ambassador Steinhardt believes that the Czechoslovak Cabinet decision to hold elections on 23 May is a Communist attempt to "legalize" the recent coup and to influence both domestic and foreign opinion by erecting a "democratic facade." Steinhardt adds that the Communists are assured in advance of a majority because: (a) opposition parties have been reduced to complete subservience; (b) many opposition voters will be disenfranchised; and (c) fear and opportunism are driving thousands to join the Communist Party. Steinhardt comments that the Communists are in a position to announce any desired result whether there is a heavy non-Communist vote or not.
4. GREECE: Possible effects of Italian elections -- AMAG Chief Griswold expresses the opinion that, if the Communists win either a victory or near victory in the Italian elections, the US should be prepared for an adverse Greek reaction which might easily develop into inflationary and political panic. Griswold accordingly recommends: (a) the granting to him of full authority to deal with any situation that may arise; (b) the assurance of an adequate gold supply to combat excessive pressure on the gold market; and (c) in the event of an unfavorable result in the Italian elections, the issuance of a reassuring US statement, emphasizing particularly that food supplies will continue to arrive regularly in Greece.

## NEAR EAST-AFRICA

5. TURKEY: Turks cool toward joint declaration with Greece -- US Ambassador Wilson in Ankara has been informed by Secretary-General Carim of the Turkish Foreign Office that present official Turkish thinking is that a joint Turco-Greek political declaration (as suggested by Greek Foreign Minister Tsaldaris) would be inadvisable. Carim stated that present ties between Greece and Turkey could be strengthened only by a military alliance, which is "undesirable under present conditions." Carim added his

- 2 -

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651

GENERAL

1. US suggests tripartite proposal to USSR on Trieste--In order to retain the initiative on the tripartite Trieste proposal and to forestall possible Soviet countermoves, the US has suggested to the French Government that the US, UK, and France address a joint note to the USSR indicating a hope of early Soviet agreement to the return of Trieste to Italy. The joint note would further propose a meeting in Paris of the interested governments during the first week of May to draft the necessary protocol to the Italian Treaty.

EUROPE

2. AUSTRIA: Gruber's position on treaty--Austrian Foreign Minister Gruber has expressed to US Legation Vienna the following views on the Austrian treaty negotiations: (a) the treaty must remain the primary objective of the Austrian Government; (b) negotiations should be shifted to such problems concerning Austrian security as Austrian frontiers, the Austrian Army, and a guarantee of Austrian independence; and (c) the western powers should make concessions to counter the substantial concession the USSR has made in its original assets proposal.

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 Auth: DDA Memo, 4 Apr 77  
       DDA 177/1763  
 Date: 13 MAR 1978 By: 028

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GENERAL

1. Nordic states in accord on Soviet treaty offers--US Ambassador Marvel in Copenhagen has been informed by the Danish Foreign Minister that Denmark has received from the Swedish and Norwegian governments assurances that they, like Denmark, will negotiate neither military nor non-aggression pacts with the USSR.
  
2. Greeks urged to renounce Italian reparations--The Department of State has advised US Embassy Athens to suggest that the Greek Government consider the possibility of announcing at the earliest possible date its desire to take the lead in a general renunciation of reparations from Italy. The Department believes that a Greek gesture of friendliness and generosity toward Italy would have a profound effect on the Italian people and would contribute greatly to a defeat of the Communists in the Italian elections. The Department realizes that the Greek public may react violently to such an announcement unless Greek political leaders take a strong stand in directing public opinion and exhibit their willingness to subordinate a temporary national advantage to the welfare of the democratic world.
  
3. US Embassy Moscow's estimate of Soviet intentions--Ambassador Smith in Moscow states that a report prepared by the US Embassy's joint intelligence committee concludes that the USSR will not resort to military action in the immediate future but will continue to attempt to secure its objectives by other means. The report further concludes that: (a) although conditions impelling a decision concerning military action could arise this year, such circumstances are far more likely to arise one or two years from now; (b) a decision to resort to military action will be made only if the Kremlin concludes that an immediate war offers the best chance for achieving ultimate Soviet objectives; and (c) a decision to defer military action

Document No. 604NO. CHANGE in Class.  DECLASSIFIED

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

Date: 13 MAR 1978 By: 028

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will probably be made if the Soviet Union is confronted by such rapid positive growth of US and European strength, particularly in 1948, as to convince the Kremlin that the outcome of war would be doubtful.

(CIA Comment: CIA concurs in the estimate of the joint intelligence committee of US Embassy Moscow.)

Soviet intentions vis-a-vis Iran--Ambassador Smith considers that the latest Soviet note to Iran represents an effort to lay a clear basis for renewed active intervention in Iran. Smith believes that the possibility cannot be excluded that Iran, because of its remoteness from the US and the limited nature of US interests there, will be chosen to test the seriousness of US determination to halt Soviet aggression.

(CIA Comment: If present Soviet coercion fails to compel Iran to abandon its western orientation, Soviet-inspired internal disorders--timed to coincide with confusion arising from the Palestine dispute and US preoccupation in Europe and the eastern Mediterranean--are a distinct possibility. The USSR is in a position to exploit Iranian political refugees and dissident elements in conducting indirect aggression against Iran. If the western reaction to such developments should be essentially negative, the Soviet Union might undertake military action against Iran in the belief that it would not be risking general war.)

4. Kashmir partition suggested--The Indian delegate to the UN, who is also former Prime Minister of Kashmir, has expressed to the US delegation to the UN the belief that partition of Kashmir between India and Pakistan remains a very real possibility. He stressed the importance of recording by provinces the results of any plebiscites because such records might indicate a logical and satisfactory basis for partition.

- 2 -

~~TOP SECRET  
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5. UK opposes withdrawal of Czechoslovak trade concessions--  
The UK Foreign Office has informed US Embassy London that the UK cannot support at this time the exclusion of Czechoslovakia from the General Agreement on Tariffs and Trade. The Foreign Office believes that east-west European trade should play an important part in the European recovery program and that exclusion of Czechoslovakia would tend to restrict this important trade.

(CIA Comment: France and the Benelux countries also are reluctant to support any action which would destroy their vital trade with Czechoslovakia.)

#### EUROPE

6. GERMANY: Resumption of London talks on Germany--  
Commanding General Clay in Berlin has recommended to Ambassador Douglas in London that the US, the UK, France, and the Benelux countries convene on 20 April in order to resume the talks on Germany. General Clay is apprehensive that if the talks are delayed beyond this date the USSR will have taken action in Berlin and the Soviet Zone Germany which will adversely affect developments in the western zones. Douglas reports that Foreign Minister Bevin has indicated a preference for delaying the talks until 27 April in order to forestall any Soviet efforts which might adversely affect the Italian elections. Douglas believes, however, that the risks will be fewer by beginning the talks by 20 April.
7. USSR: Restrictions on USSR representation in Japan suggested--  
US Ambassador Smith suggests that regulations comparable to those imposed on US representation in Berlin might be applied to Soviet representatives in Japan, particularly if the Berlin situation is not settled satisfactorily in the near future. Smith believes that such action might have a salutary effect in counter-acting obvious Soviet efforts to lower the prestige of the western powers in Europe.

- 3 -

~~TOP SECRET  
CONFIDENTIAL~~

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653

## GENERAL

1. French object to German representation at CEEC session--  
US Embassy Paris has learned that the French Foreign Office is opposed to the presence of German representatives at the plenary session of the Committee on European Economic Co-operation. The Embassy expresses the view that "it would be a great mistake to have the Germans attend the plenary session." Commanding General Clay in Berlin comments that refusal at this time to allow Germans to attend would have a "profoundly depressing" effect on German morale. Clay strongly urges that German economic officials be allowed to attend the plenary session.
  
2. Greeks reluctant to renounce Italian reparations--US Charge Rankin in Athens reports that Prime Minister Sophoulis and Foreign Minister Tsaldaris have indicated, in separate conversations, their reluctance to follow the US suggestion that Greece propose a general renunciation of Italian reparations. The Ministers feel that "virtually all concessions" to date have been requested of the Greeks rather than the Italians; moreover, they doubt that the Greek Government could legally renounce reparations without a vote by the National Assembly.
  
3. US view on reconvention of London talks--The Department of State has advised US Embassy London of its view that the London talks on Germany should be reconvened on 20 April but should be subject to an earlier convening if there is a "definitive break" in Berlin. The Department observes that if the USSR should in the meantime announce the establishment of a German government, this Soviet action would clearly shift to the USSR the responsibility for splitting Germany and would facilitate the early establishment of a provisional government in western Germany.

Document No. 605NO CHANGE in Class.  DECLASSIFIED

- 1 -

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1978 By: 26~~TOP SECRET~~  
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## EUROPE

4. DENMARK: Arms request to be considered on overall basis--  
The Department of State has informed US Ambassador Marvel that the Danish government's request for US arms cannot be met at this time because the European security problem "can best be dealt with on an overall basis" and not piecemeal. The Department suggests that Marvel: (a) inform Foreign Minister Rasmussen that the US is hopeful of reaching such an overall solution which will do much to relieve Danish anxiety, and (b) express the satisfaction of the US with the indications given by the Danes of their determination to defend their independence.
5. ITALY: Dunn's views on treaty revision--US Ambassador Dunn suggests that, in order to forestall any possible last-minute Soviet moves to influence the elections in favor of Italian Communists, the US, the UK, and France propose as soon as possible a general revision of the military clauses of the Italian Treaty. Dunn believes that even if this proposal were accepted by the USSR, it would be to the advantage of the US because Italy would thereby be sufficiently armed to defend itself from aggression.

(CIA Comment: CIA believes that the move proposed by Ambassador Dunn would be effective in maintaining the present anti-Communist trend in Italy.)

## FAR EAST

6. KOREA: US concern over effects of Pyongyang conference--  
The Department of State has expressed to US Political Adviser Jacobs in Seoul its "grave concern" that North Korean propaganda about the Pyongyang conference may cause a sharp decline in popular support for the scheduled elections in South Korea. The Department: (a) points out that any lessening of popular support for the elections will contribute

- 2 -

~~TOP SECRET~~  
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to the instability of the resulting South Korean government, and (b) urges that the US occupation authorities launch an aggressive counter-propaganda campaign which will contrast US objectives in Korea with Soviet obstructionist tactics.

Possible future Soviet tactics -- Political Adviser

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Jacobs has been informed [redacted] that Kim Doo Bong (Vice-Chairman of the North Korean People's Council) recently expressed the following views concerning future Soviet tactics in Korea: (a) Soviet authorities are prepared to grant 60% of the future Assembly seats to "Rightists" at the forthcoming Pyongyang conference; (b) Soviet occupation troops will be withdrawn following the formation of the Korean bizonal government; (c) the Kremlin will submit the Korean problem to the September session of the UN General Assembly, claiming that the USSR has aided in the creation of an independent, unified Korean government and has withdrawn Soviet forces in recognition of that government's national sovereignty; and (d) the USSR will ask that the US withdraw its forces in order to demonstrate that it is not following a colonial policy in Korea.

(CIA Comment: This outline of possible developments is entirely consistent with current Soviet tactics in Korea and with previous CIA estimates of Soviet intentions there.)

~~TOP SECRET~~  
~~CONFIDENTIAL~~

7 APR 1948

~~CONFIDENTIAL~~

654

## GENERAL

1. Belgian-Dutch attitude on Czechoslovak trade concessions--

A representative of the Belgian Foreign Office has informed US Charge Millard that because Belgium might have to vote against the US on the question of the exclusion of Czechoslovakia from the General Agreement on Tariffs and Trade (GATT), the Belgians would prefer as the matter now stands to be absent from the New York meeting of GATT. The Belgian official explained that although the Belgian Foreign Office concedes the probable soundness of the US view on this question: (a) Belgium is now negotiating a trade agreement with Czechoslovakia; (b) the Czechoslovaks maintain that they intend to fulfill their existing trade and tariff obligations; and (c) Belgium is not disposed to prejudge Czechoslovak policy.

The Netherlands Foreign Minister has told US Ambassador Baruch that the Netherlands also cannot support the US in withdrawing trade concessions from Czechoslovakia.

2. New approach to Kashmir problem--According to the US delegation at the UN, Security Council President Lopez (Colombia) has received from the Government of India delegation a letter which indicates that India's position in the Kashmir dispute has "substantially hardened." The US delegation reports that pessimism now prevails among representatives to the Security Council concerning the possibility of a settlement based on the Chinese proposal. The US, the UK, France, Canada, China, and Belgium informally agreed that Lopez should inform India and Pakistan that, in view of their inability to agree, he would recommend that the Security Council advance its own proposal. Because of China's unwillingness to become sole sponsor of a resolution based on its own proposal, the US delegation recommends that the US act as co-sponsor with China. The US delegation believes that the UK, Canada, and Belgium will follow the US lead.

Document No. 606

NO CHANGE in Class.  DECLASSIFIED

Class. CHANGED TO: TS S (C)

Auth: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1978

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- 1 -

~~TOP SECRET  
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NEAR EAST-AFRICA

3. IRAN: Shah pessimistic over possible Soviet invasion--US  
Ambassador Wiley reports that the Shah views the future with deep pessimism and evidently foresees a Soviet invasion of Iran "at no very remote date." According to Wiley, the Shah is impressed by the "firmness and clarity" of US policy but fears that US aid to Iran may be belated and insufficient. The Shah intimated to Wiley that he would feel more confident if substantial US military aid, similar to that extended to Turkey, were made available to Iran.

FAR EAST

4. SIAM: Imminent coup d'etat--US Embassy Bangkok reports that following a 6 April ultimatum by the Siamese Army which demands that the present Khuang Abhaiwong Government resign, the Cabinet immediately went into special session. The US Naval Attache in Bangkok had reported on 6 April that a bloodless coup by Marshal Phibul and the army was imminent and that the Siamese Navy was taking a neutral position.

(CIA Comment: The probability of a coup by Phibul to oust the Abhaiwong Government after foreign recognition had been obtained was forecast in the Weekly Summary of 5 March 1948. The resignation of the present cabinet will be followed by the accession to the premiership by Phibul or another strong leader acceptable to the army. An early result of the shift of power to the military may be that strong measures will be directed against the Chinese community in Siam, which has been accused recently of plotting to seize control of the country.)

5. PHILIPPINES: US-Philippine bases agreement questioned--  
US Ambassador Manila has urgently requested instructions concerning a petition filed with the Philippine Supreme Court which questions the constitutionality of paragraph A of Article 13 of the US-Philippine Military Bases Agreement. A petition

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CONFIDENTIAL**

has been presented on behalf of a Filipino civilian employee of the US Army who was convicted of theft by a US Army court-martial and sentenced to five years' imprisonment. The Ambassador suggests that surrendering the Filipino involved would avoid discussion of the intricate and far-reaching issues of constitutionality and violation of agreement but notes that further delay of the case beyond 8 April may not be granted. The Ambassador believes that the petition will give the Philippine Supreme Court an opportunity to render a decision on the right of US courts-martial to try civilians of any nationality and that the decision would probably be adverse to the US.

(CIA Comment: CIA agrees that the Philippine Supreme Court may render a decision adverse to the US, and believes that in any event the case will precipitate publicity unfavorable to the US.)

8 April

- 3 -  
**CONFIDENTIAL  
TOP SECRET**



8 APR 1948

655

~~TOP SECRET  
CONFIDENTIAL~~

## GENERAL

1. Reported Communist proposal for ending Greek hostilities --  
 US Embassy Athens reports that former Prime Minister Tsouderos has received from a prominent member of the Greek Communist Party a proposal for the cessation of guerrilla activities. Among the conditions put forward as a basis for the ending of hostilities are the following: (a) a UN guarantee of the political and economic independence of Greece (necessitating the withdrawal of allied troops); (b) the establishment of a government of "general confidence," not necessarily including Communist representation; and (c) the acceptance "in principle" of financial and economic aid from abroad through the European recovery program or any other plan under the UN. Tsouderos expressed the opinion that the proposal originated in Markos' "foreign office" and had probably been cleared by the Kremlin.

(CIA Comment: CIA believes that evidence points to a Soviet-Satellite sponsored intensification rather than a curtailment of guerrilla activities in Greece. Recent Greek Army successes have not been sufficiently important to prompt the guerrillas to sue for an armistice. The insincerity of the proposed conditions is obvious: the conditions relating to the UN would leave Greece militarily defenseless without impairing the guerrilla potential; and the acceptance of aid under the European recovery program is diametrically opposed to the Soviet bloc policy. The Communists, realizing that the Greek Government will not accept the offer, may be expected to publicize the rejection as indicative of the Greek-US policy of pursuing a needless war against the Greek people.)

2. Czechoslovakia may replace Palestine commission chairman--  
 The US delegation at the UN has learned that Chairman Lisicky (Czechoslovakia) of the five-nation Palestine Commission is under increasing pressure from the Czechoslovak Government to support Bolivia, Panama, and the Philippines in their desire to go ahead with the implementation of partition. The delegation

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1783

Date: 13 MAR 1978 By: 018~~CONFIDENTIAL~~~~TOP SECRET~~

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indicates that Lisicky is resisting pressure and therefore will probably be promptly replaced by the Czechoslovak Government, thus increasing the number of votes favoring the establishment of a Jewish Provisional Council of Government.

(CIA Comment: Lisicky and Federspiel (Denmark) have so far successfully blocked further action by the Palestine Commission to carry out the political recommendations of the General Assembly (GA), pending new GA instructions. If the supporters of partition are successful in obtaining the Commission's authorization of a provisional government in Palestine, the Jewish Agency would be bolstered in its contention that such a government had been legally established.)

#### NEAR EAST-AFRICA

3. IRAN: Italians told of Soviet displeasure over Iran--The Italian Foreign Minister has informed US Ambassador Dunn in Rome that strong Soviet objections to US support of Iran in "arming against Russia" were expressed in a recent conversation between Italian and Soviet representatives in Tehran. The Soviet representative reportedly stated that the USSR would "necessarily take measures to protect itself" if the Iranians did not cease to permit US activities in Iran and added that the present Iranian course might make Iran a battleground, possibly in the near future.

(CIA Comment: CIA believes that the Soviet representative's remarks, undoubtedly intended to reach Iranian ears, are a further step in Soviet intimidation of Iran. Having been transmitted through the Italian Minister, these remarks also serve to warn the Italian Government of the price of collaboration with the US.)

- 2 -

~~TOP SECRET~~  
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## GENERAL

1. CEEC seen as force for integration of Europe--The Department of State, with the concurrence of the administrator of the Economic Cooperation Agency, has informed US observers at the Paris meeting of the Committee on European Economic Cooperation (CEEC) that the US considers the European recovery program to be but one aspect of the larger objective of strengthening the western European community. The Department believes that: (a) this objective cannot be achieved without much closer economic integration than in the past; (b) the CEEC provides a focal point for closer economic cohesion in western Europe; and (c) the CEEC should therefore be strengthened by staffing it with first-class personnel and by assigning it a significant role in coordinating US aid.

## EUROPE

2. AUSTRIA: Travel control tightened in Soviet Zone--US representatives in Vienna report increased Soviet restrictions on the movement of US personnel, including diplomatic couriers, through the Soviet Zone. The US Legation observes that this tightening of Soviet restrictions, though instituted allegedly as retaliation for US restrictions on the activities of the Soviet Reparations Commission in the US Zone, is probably prompted by broader considerations and that the Soviet commander has stated frankly that these restrictions were taken not only to tighten security in the Soviet Zone but also to embarrass the US.

(CIA Comment: If the current negotiations for an Austrian treaty break down, the USSR will probably further increase its travel restrictions in order to reduce the size and effectiveness of the US, the British, and French establishments in Vienna.)

3. ITALY: French attitude on Italian elections--According to US Ambassador Caffery in Paris, French officials, who are more optimistic over the Italian elections than they were ten days

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Class. CHANGED TO: TS S (C)

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TOP SECRET

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1978 By: 028

~~CONFIDENTIAL~~  
TOP SECRET

ago, plan shortly to announce frontier corrections in favor of Italy and an amnesty for certain Italians in France accused of wartime economic collaboration, Caffery reports that Bidault may also suggest at an early date the inclusion of Italy in the western European union pact. Caffery adds that Bidault believes the USSR might bring about some "massive counter-balancing move just before the elections."

(CIA Comment: The French-Italian frontier corrections and the proposed amnesty would have a favorable effect on the elections. The Italian Government has made it clear, however, that it would consider participation in the western union prior to the elections to be very dangerous politically.)

#### FAR EAST

4. SIAM: Phibul to form new government--US Ambassador Stanton in Bangkok has been informed by a member of the Siamese Supreme Council of State that Marshal Phibul has been offered the post of premier after Premier Abhaiwong's resignation was forced by a group of extremist military officers (see Weekly Summary of 9 April, page v). The military group reportedly insisted that only Phibul would be acceptable to them; the Supreme Council then decided that, in view of the neutrality of the Siamese Navy and Air Force, there was no alternative but to appoint Marshal Phibul. Stanton's source observed that Phibul would probably experience difficulty in forming a government of good men and believed it "not improbable" that Phibul and his government would be overthrown "in a few months time."

- 2 -

~~CONFIDENTIAL~~  
TOP SECRET

10 APR 1948

657

~~TOP SECRET  
CONFIDENTIAL~~

## GENERAL

1. Italian elections not to affect US policy in Greece--The Department of State has informed AMAG Chief Griswold that US policy toward Greece and Turkey will continue unchanged even if the Italian elections result in a Communist victory. The Department adds that it intends to announce its determination to continue, despite adverse developments, to support the democratic countries of Europe which are cooperating in the European recovery program and to assure the regular arrival in Greece of sufficient food and other supplies. The Department (together with the Treasury) has authorized the immediate conversion and shipment of \$2 million of Federal Reserve Bank gold to forestall the exhaustion of Greek gold stocks and is prepared to authorize the conversion and shipment of an additional \$2 million if the Italian election results should be adverse.

## EUROPE

2. SWEDEN: US naval visit thought inadvisable--US Ambassador Matthews recommends that US naval units not visit Swedish ports during their projected visit to Norway and Denmark in May. Matthews believes it important to make clear that Sweden cannot count upon last minute US military aid if it elects until that time to remain neutral and to avoid political association with western nations. He thinks that "the fact that US naval vessels visit Norwegian and Danish ports and omit Swedish ports will not be lost on the Swedes."
3. DENMARK: Reaction to US refusal to supply arms--The Danish Defense Minister has told US Ambassador Marvel that failure to obtain arms for Denmark "would not only hamper his efforts to prepare for any eventuality, but would also result in the lowering of morale, perhaps to the point where the will to defend would vanish." The Defense Minister also stated that the prospect of obtaining arms

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DDA Memo, 4 Apr 77  
Auth: DDA REG. 77/1763Date: 13 MAR 1978 By: 128~~TOP SECRET  
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from Sweden is discouraging. (In rejecting at this time the recent Danish request for arms, the US indicated its desire to solve the European security problem on an "overall" basis, rather than piece-meal.)

**THE AMERICAS**

4. **COLOMBIA: Government apparently regaining control--US Ambassador Beaulac reports that as of 10 P.M. Friday, 9 April, the Government was regaining some measure of control of the Bogota rebellion**

by Saturday morning: (a) Army troops had gained control of half the capital; and (b) looting and rioting was still continuing in the outskirts of the city.

( ) There is no evidence to indicate that the Bogota rioting was a first step in a planned revolt in Colombia or a part of any coordinated series of similar moves in other countries. Paraguayan claims to have put down an attempted coup are probably false, in view of the small number of Communists in the country and earlier indications that the Government planned to make such an announcement in order to strengthen Paraguay's position at the Conference.

It appears likely that a small faction of Colombian Liberal extremists and Communists exploited the opportunity afforded by the riot to gain control of several Bogota radio stations in order to incite the people to rebellion and to convey to the rest of the country the impression that the Government had fallen. Most of these radio stations have been retaken by Government forces. The outcome of the revolt will be determined by the attitude of the military forces. Except for one report from Cali that the garrison there was disloyal, there is no evidence that Army units are joining the rebels. Claims by the rebels that the police favored them seem reasonable.)

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6. **ARGENTINA: Government concerned over bank strike--US Ambassador Bruce has been told by Police Chief General Bertollo that: (a) the present bank strike has created the most serious situation the Peron administration has had to face since coming to power; (b) the Argentine Government has proof that the US has brought pressure on Chile to refrain from ratifying the long-pending commercial agreement with Argentina; and (c) that "some well-known Americans" are involved in a plot to overthrow the Peron Government. Bruce adds that the Argentine Government "appears to be jittery."**

- 3 -

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EUROPE

1. FINLAND: Possible secret protocols to Soviet pact--US  
Minister Warren reports that the legal adviser to President Paasikivi, in a conversation concerning the existence of secret protocols to the Soviet-Finnish mutual assistance treaty, refused to say "categorically" whether such protocols existed or whether the USSR had sought them.

(CIA Comment: Inclusion of secret protocols to the Finnish-Soviet pact would be difficult because the Finnish delegation which negotiated the pact was not Communist-dominated. Moreover, the Finnish Diet, which must ratify the pact, is expected to inquire into the question of secret protocols.)

Communist agents reportedly infiltrating from USSR--  
US Minister Warren has been informed by a "fairly reliable source" that 7,000 trained Communists are in transit to Finland from the USSR. Source added that the agents are infiltrating from the Soviet base at Porkkala and are being assigned to local action committees in preparation for a coup before the July elections.

(CIA Comment: Although the USSR probably plans a gradual increase in its control over Finland following ratification of the mutual assistance pact, the Soviet Union probably does not consider gaining such control of sufficient urgency to warrant an operation of the magnitude described. It is also unlikely that 7,000 agents could be imported into Finland without producing an immediate reaction from the predominantly anti-Communist Finns.)

2. ITALY: Possible Soviet moves to influence elections--US  
Embassy Rome believes that a variety of reports suggest that the USSR may at some time before the Italian elections: (a) agree to the return of Trieste to Italy; (b) announce the placing of Soviet industrial contracts in Italy that would benefit Italian workers; and (c) renounce Italian reparations.

Document No. 010  
NO CHANGE in Class.   
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Class. CHANGED TO: TS S **(C)**  
Auth: DDA Memo, 4 Apr 77  
Date: 13 MAR 1976 By: 028  
DDA REG. 77/1763

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(CIA Comment: CIA believes that the USSR is unlikely to make any such diplomatic proposals until after the 18 April elections decide whether or not there is to be Communist representation in the Italian Government.)

### NEAR EAST-AFRICA

3. **EGYPT: New disorders feared--US Ambassador Tuck believes that, unless the Nokrashi Government meets the demands of the recent police strikers (chiefly for higher pay and improved social conditions), new and more violent disturbances may break out in Alexandria and Cairo. Tuck says that army units called in were sympathetic to the strikers and that the disorders were probably aggravated by anti-Government pamphlets which were distributed by members of the Wafd (the largest Egyptian political party). Tuck fears that new disorders may be accompanied by violent anti-foreign demonstrations which may make it necessary for the US to take steps to protect US citizens in Egypt.**

### FAR EAST

4. **SIAM: Question of recognition raised--US Ambassador Stanton in Bangkok has expressed his belief that immediate recognition of the new Phibun Government in Siam would be a "serious mistake" and might be regarded as condoning irresponsible and arbitrary use of force by military elements. Stanton urges that a brief statement be made expressing the concern of the US over recent developments. Stanton reports that the French and Chinese diplomatic representatives favor strong indications of disapproval, while the Dutch and UK representatives desire "a non-recognition formula" which would not interfere with commercial transactions.**

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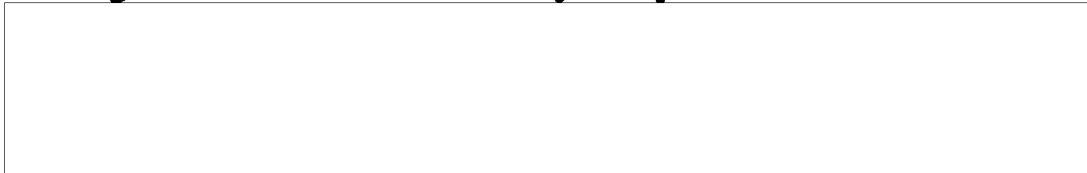
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**THE AMERICAS**

- 5. **COLOMBIA: Continuation of Bogota Conference favored--**  
**US Embassy Bogota reports that delegation leaders are**  
**unanimously in favor of continuing the conference at Bogota,**  
**"unless the situation so worsens as to make it physically**  
**impossible."**

Reports from US Consulates in Colombia indicate that the Government is still making progress toward restoring order and that uprisings outside the capital city were relatively small and soon brought under control. The Embassy adds that the mopping up of snipers continues in Bogota where damage and loss of life were very heavy.

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The Embassy transmits a report that the assassin was employed last October as butler in the Soviet Legation. The Colombian Government has announced that it has arrested the persons who took over a Bogota radio station and that two Russian agents and other foreigners were among those arrested.

(CIA Comment: CIA believes that the Colombian Government will make every attempt to lay the insurrection at the door of the Communists. The reported decision to sever diplomatic relations with the USSR is consistent with such a campaign. The weight of available evidence, however, points to the conclusion that the Communists did not instigate the revolt, which was a spontaneous reaction to Gaitan's assassination, but actively encouraged mob action once rioting had broken out.)

- 6. **COSTA RICA: Additional aid for rebels--**General Somoza has informed US Embassy Managua that a "seaborne force" of Nicaraguans from Guatemala has captured the Costa Rican Atlantic port of Puerto Limon.

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US Ambassador Davis reports from San Jose, Costa Rica, that he has agreed to meet with rebel leader Figueres in order to ascertain his views relative to a compromise solution of the present civil war.

(CIA Comment: The additional help from anti-Somoza Nicaraguans, together with continuing assistance from Guatemala, has strengthened Costa Rican rebel leader Figueres to the point where he can: (a) gain control of San Jose, at will; or (b) obtain his own terms in any compromise solution.)

- 4 -

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40  
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GENERAL

1. US to continue Austrian treaty talks--The Department of State has instructed US delegates at the London Conference on the Austrian treaty to endeavor to reach maximum agreement with the USSR on outstanding economic issues and then to proceed to the discussion of the other disputed articles of the treaty. The Department has advised the delegation that Soviet intentions may be either to execute a tactical maneuver for propaganda purposes or to "reach an agreement on reasonable terms." The Department believes, therefore, that it is essential to continue the negotiations until the Soviet purposes are revealed.

The US delegation at London reports that both the British and French delegations are apparently convinced that the USSR wants a treaty and the Soviet delegates will for that reason make every effort to prevent a break in the negotiations.

2. No German representation at CEEC meeting--The Department of State considers that in view of previously stated objections to the presence of German representatives at the plenary session of the Committee on European Economic Cooperation (CEEC), no Germans should be present at the session and the agreement should be signed on behalf of the US-UK Zone Germany by the military governors. The Department believes, however, that bizonal participation in the European recovery program should not be limited by the agreement. The Department adds that the agreement should provide single membership for the three zones if there is a fusion of the French Zone with the bizonal area.

EUROPE

3. FRANCE: Communists planning attacks on Gaullists--US Embassy Paris has been told by the Interior Ministry that the French Communist Central Committee, at its session of 14-15 April, will instruct Communist militants to intensify attacks on Gaullist para-military groups. The Communists reportedly

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

Date: 13 MAR 1978 By: 028

- 1 -  
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hope to implicate De Gaulle and his Rally of the French People (RPF) in an increasing number of disorders and thereby facilitate the legal dissolution of the RPF para-military organization. The Interior Ministry believes that there is a possibility of trouble between the Communists and Gaullists during the RPF National Congress in Marseilles, 16-18 April.

(CIA Comment: CIA agrees with the estimate of the Ministry of the Interior regarding the "possibility of trouble" in Marseilles but believes that Government forces are capable of dealing with the situation.)

Communists plan new efforts against recovery program--

The US Military Attache in Paris has been told by a usually reliable informant that the Soviet Embassy in France has decided to reestablish a tight control over the French Communist Party and thereby make effective coordinated Communist action in western Europe against the European recovery program. Plans for direct action among labor groups may be worked out at the French Communist Central Committee session of 14-15 April, in coordination with the national secretaries of the Communist General Confederation of Labor (CGT).

(CIA Comment: Although non-Communist labor elements are continuing to organize defense committees to counter anticipated Communist industrial agitation, the CGT still retains enough influence in labor to hamper seriously French economic recovery.)

4. NORWAY: Possible Scandinavian action in European emergency--  
During an interview with Foreign Minister Lange, US Ambassador Bay has gained the impression that: (a) Norway will avoid joining a western European group until an obvious security advantage is assured; (b) in an emergency, Norway will join the western powers regardless of the actions of Sweden and Denmark; and (c) Denmark would probably follow Norway's lead under such circumstances, but there is still doubt as to Sweden's course of action.

- 2 -

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THE AMERICAS

5. **COLOMBIA: Bogota food supply threatened--US Military Attache Bogota transmits an unconfirmed report that: (a) Communist elements have obtained complete control of the refinery at Barranca Bermaja, and (b) the ferry at Comboa has been destroyed by Communists who are blowing up railway bridges and ferries vital for transporting food to Bogota.**

**(CIA Comment: The Barranca Bermaja refinery is a key plant in maintaining the domestic gasoline supply. Although Communists have infiltrated into the petroleum industry unions, reports indicate they do not control the unions.)**

- 8 -

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14 APR 1948

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## GENERAL

1. USSR willing to postpone German assets question--The US delegation to the Austrian treaty negotiations in London reports that the Soviet delegate has indicated his willingness to consider other unagreed articles of the treaty in order to avoid an impasse on the question of German assets. According to US representatives in Austria, Soviet Commissioner Kurassow has told Chancellor Figl that the USSR is prepared to agree that an Austrian army should be in existence at the time of the withdrawal of the occupation troops and that such an army may be equipped with either "national or international arms."

(CIA Comment: The willingness of the USSR to by-pass economic issues in order to discuss security clauses and the Soviet stand concerning an Austrian army suggest strongly that the USSR is anxious to conclude an Austrian treaty. CIA does not believe, however, that the USSR has renounced its ultimate intention of incorporating Austria into the Satellite system.)

2. UK-Benelux deal for key CEEC posts reported--US observers at the Paris meeting of the Committee of European Economic Cooperation (CEEC) report that the representatives of the UK and Benelux countries have made a deal to give the UK the chairmanship of both the CEEC council and the key executive committee and to give Belgium the secretary-generalship. The US observers believe that such an arrangement may cause some difficulties with the French who feel that they should have one of the key jobs in the CEEC organization.

(CIA Comment: British domination of the CEEC would be assured through control of these two key posts. In view of the relatively lukewarm attitude of the UK toward all-out European economic cooperation, British leadership of the CEEC would probably be lacking in aggressiveness.)

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1978 By: 026

- 1 -

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FAR EAST

3. SIAM: Moves by anti-Phibul elements --According to US Ambassador Stanton, the Commander-in-Chief of the Siamese Navy and the former Commander-in-Chief of the Siamese Army have made tentative plans to prevent a parliamentary vote of confidence in the Phibul Cabinet when its policies are presented to Parliament on 15 or 16 April. The military leaders hope that Phibul will then resign and make way for a civilian coalition government. Stanton believes that this plan marks the beginning of efforts to unite all elements opposed to Phibul and that the success of these efforts will be dependent upon the withholding of recognition by foreign powers.

(CIA Comment: It is doubtful that the disparate and disunited elements opposed to Phibul can at this time have very much effect upon the Phibul Government.)

UK views on recognition of Phibul Government--US Embassy London has been informed that the UK Foreign Office is considering a statement of disapproval of the change of government in Siam but fears that, unless other countries join in such a step, it will be regarded as "merely a feeble, empty gesture." The Foreign Office has not finally decided what steps to take in the Siamese situation but has instructed the UK Embassy in Bangkok not to reply to any note received from the Phibul Government.

THE AMERICAS

- 3.3(h)(2) 4. COLOMBIA: Communist responsibility in Bogota uprising --  
[redacted] Gilberto Vieira White, the leader of the larger of Colombia's two Communist parties, stated shortly after Gaitan's death that his party was not involved in the assassination, but that he had issued orders for party members to exploit the situation by pillaging stores and committing acts designed to disrupt the Bogota Conference.

(CIA Comment: CIA believes that previous reports regarding relations between Gaitan and the Communists indicate that White's reported statement may be accepted as substantially true.)

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5. **VENEZUELA: Alleged plans for sabotage of Venezuelan oil fields--**  
**The US Military and Naval Attaches in Caracas report that**

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[redacted] upon the termination of the Bogota Conference the Communists plan the immediate sabotage of the Venezuelan oil fields. Such a plan is reportedly held in the Soviet Embassy in Caracas.

- 3 -

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661

## EUROPE

1. ITALY: US-UK statement to prevent Communist coup suggested-- US Ambassador Dunn has learned from the British Embassy in Rome that the Italian Minister of Interior has predicted a Communist attempt to seize power by force immediately following the defeat of the Communists in the 18 April elections. The Minister suggested to the British Ambassador that the US and the UK make an immediate statement declaring "they would not remain indifferent" if such an attempt were made. Dunn comments that Premier De Gasperi has not made a direct request to this effect and that the US Embassy is inclined to agree with the British Ambassador that such a statement would be an unwise pre-election move.

(CIA Comment: CIA believes that Communist capabilities for successful insurrection have diminished and that the Communists are likely to launch a post-election campaign of strikes and violence which will fall short of revolution. CIA concurs in the estimate that the proposed statement before the elections might have adverse political effects.)

2. TRIESTE: Possibility of violence--US Political Adviser Joyce believes that the Communists will probably not incite disorders during pro-Italian mass demonstrations to be held in Trieste on 15 and 17 April, but that Italian demonstrators may get out of hand and commit acts of violence against the Communists. Joyce adds that the situation is outwardly calm but the underlying tensions are "very real and potentially dangerous."
3. AUSTRIA: USSR believed to desire Austrian treaty--The US delegation to the London conference on an Austrian treaty believes that, because of recent clear indications that the USSR may now desire a treaty, it can no longer be readily assumed that the USSR will not accept US stipulations for Austrian independence, and therefore the US may be faced with the possibility of rejecting the treaty on strategic grounds after an agreement

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1978 P: 028~~TOP SECRET~~

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in principle has been reached. British delegates believe that the Soviet desire for a treaty should be utilized to get the "best bargain" for Austria, but the French consider the continued presence of troops in Austria to be important to the "general European interest" and do not now wish to conclude a treaty. The US delegation believes that the matter should be considered by the US National Security Council.

#### NEAR EAST-AFRICA

4. IRAN: US to pay for shipment of arms--The Department of State has informed US Embassy Tehran that credits to cover packing and shipping charges for the surplus US arms to be acquired by the Iranian Government will be included in the general appropriation request for the next fiscal year.

(CIA Comment: Implementation of the \$10 million US arms credit, ratified by the Iranian Majlis on 17 February, has been held up by the inability of Iran to cover packing and shipping costs for the arms.)

- 2 -

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46

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GENERAL

1. British and French views on Palestinian trusteeship--US Ambassador Caffery in Paris has learned that UK Foreign Minister Bevin has informed the French that the UK will neither follow the US on its 15 point proposal for a Palestinian trusteeship nor support the US suggestion that the US, the UK, and France jointly sponsor trusteeship and guarantee Palestinian security. The French, however, will support the US in any proposals in the UN General Assembly but will take no initiative in the matter.

Reported Soviet position on Palestine--The US delegation to the UN has learned that Soviet Delegate Gromyko informally told a US newspaper correspondent that: (a) the USSR will offer no proposals at the special General Assembly session; (b) if any security force in which the US and UK are to participate is established, the USSR will insist on inclusion; and (c) if the security force does not include US-UK forces, the Soviet Union will not seek participation.

2. Anti-Cominform police coordination proposed--A high official of the French Foreign Office has informed US Ambassador Caffery of a French note proposing to the western European union countries the coordination of anti-Cominform activities and the reciprocal exchange of secret service and counter-intelligence information among these countries. The French official expressed a hope that the US might later join in this exchange of information.

EUROPE

3. YUGOSLAVIA: Suspension of civil air operations--US Ambassador Cannon in Belgrade reports that the complete suspension of Yugoslav civil aviation operations on 7 April has not been explained by the Government. Pointing to the possibility that the Government may be mobilizing Yugoslav air transport for

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 13 MAR 1977 By: 028

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- 1 -  
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an Italian or a Greek contingency, Cannon urges "most strongly" that the US oppose the reported arrangement under which the Dutch airline KLM is now preparing to deliver six Douglas C-47 aircraft to the Yugoslav Government.

(CIA Comment: Yugoslavia has given numerous indications recently that it is actively planning expansion of its civil air operations outside of Yugoslavia. At the same time, there are indications that even the Satellite airlines of Czechoslovakia and Rumania are being excluded from the area west of Belgrade. CIA believes that, although there are no indications of an impending act of aggression by Yugoslavia, it is possible that the Government is planning an operation involving the use of its transport aircraft and is determined to allow no air observation of critical areas.)

4. **GERMANY: Schumacher unable to return to public life--** US Political Adviser Murphy has been informed that Kurt Schumacher, leader of the German Social Democratic Party (SPD), is so seriously ill that he will not be able to return to public life. According to Murphy, German political observers believe that if Schumacher is forced to retire, he will probably be replaced provisionally by Erich Ollenhauer, present SPD second chairman, who is considered "colorless but an able organizer."

(CIA Comment: The removal of Schumacher's strong leadership will weaken and divide the Social Democratic Party and may even break the solid anti-Communist stand on which Schumacher has insisted.)

#### THE AMERICAS

5. **NICARAGUA: Somoza threatens intervention in Costa Rica--** US Embassy Managua transmits the request of General Somoza that the US prevent Guatemala from fomenting revolutionary

- 3 -

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attempts against Nicaragua. Somoza told the Embassy that if Nicaraguan opposition forces in Costa Rica approach the Nicaraguan frontier, he will be forced to "cross and destroy them."

(CIA Comment: The imminent Costa Rican rebel victory, to which Guatemalan Government officials and Nicaraguan revolutionaries have contributed, would destroy the balance of power in Central America. Consequently, Somoza can be expected to take all possible diplomatic and conspiratorial measures to redress it.)

- 3 -

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17 APR 1948

46

663

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## GENERAL

1. US views concerning Austrian treaty negotiations--The US delegation to the Austrian treaty negotiations in London has been informed by the Department of State that it is not fully convinced that the USSR is prepared to negotiate a treaty which will insure adequate guarantees of Austrian political and economic independence. The delegation is advised, in recognition of the apparent Soviet desire to conclude an Austrian treaty, to negotiate for a treaty of maximum advantage to Austria. The Department indicates that the US position is based upon the considerations that: (a) troop withdrawals would not take place for a year after the conclusion of a treaty; (b) ratification of such a treaty could be delayed if a critical deterioration of the European situation should occur; and (c) the continued lack of a treaty could lead to Austrian partition, increased pressure to force the US out of Vienna, and the probable decline of US influence in Austria.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: o28~~TOP SECRET~~

19 APR 1948

664

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## GENERAL

1. UK may be more cooperative on Palestine--In a recent discussion with the US delegation to the UN, UK representative Creech-Jones, while stressing overwhelming British public opinion against further UK participation in Palestinian affairs, indicated that the UK Government does not want to continue indefinitely in a negative position on Palestine but wants to follow a positive and constructive policy. Creech-Jones expressed a desire to cooperate with the US in working out terms of a possible trusteeship agreement.

## EUROPE

2. YUGOSLAVIA: Estimate of possible politico-military action--US Ambassador Cannon believes that recent internal developments in Yugoslavia suggest the possibility that the Yugoslav Government is preparing for politico-military action following a Communist defeat in Italy. Cannon suggests that one reason for Yugoslav failure up to the present to pursue a more aggressive policy in Greece may be that Yugoslavia is expected to act elsewhere.
3. GREECE: Likelihood of Cabinet reshuffle increasing--US Charge Rankin reports an increase of political maneuvering for changes in the present Greek coalition Cabinet together with further evidence of public and press dissatisfaction with the Government. According to Rankin, Sophocles Venizelos (a leader in Prime Minister Sophoulis' Liberal Party) maintains that the present Cabinet must make at least a few changes in order to survive the reconvening of Parliament on 10 May. Rankin expressed concern to Venizelos lest anything resembling a "crisis" develop as a result of efforts to obtain Cabinet revision.

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DDA MEMO, 4 APR 77

DDA REF. 77/1763

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- 1 -



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**NEAR EAST-AFRICA**

4. **IRAN: Government expected to fall--US Ambassador Tehran reports that the Hakimi Government, which is under heavy attack in the Majlis, may fall.**

(CIA Comment: CIA believes that the weak Hakimi Government, which is now facing a vote of confidence, will fall in the near future and will be replaced by a stop-gap government of similar conservative tendencies. It is possible that this interim government will be replaced in turn by a government headed by Qavam.)

**THE AMERICAS**

5. **COSTA RICA: Latest compromise solution rejected--US Embassy San Jose reports that the rebel leader, Figueres, has found "unacceptable" the most recent compromise solution of the civil war. The Embassy transmits a statement from the diplomatic commission in San Jose suggesting the desirability of putting pressure on Nicaragua to cease intervening in Costa Rica. (The diplomatic commission, which includes the US, Chile, Mexico, and Panama, has been attempting to assist in finding a solution ending the civil war.)**

- 2 -

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20 APR 1948

665

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## EUROPE

1. **CZECHOSLOVAKIA: Benes not to resign at present--US Ambassador Steinhardt has been told by a reliable informant (who recently talked with President Benes) that Benes has no desire to leave Czechoslovakia at this time even if his "escape" could be arranged. Benes told source that: (a) he had no intention of resigning the presidency "for the present"; and (b) the Communists are moving "much too fast" and the Czechoslovak people cannot be held "in bondage" for more than two years. Source added that Benes' views reflected the prevalent opinion in Prague that the future of democracy in Czechoslovakia depends entirely upon US-Soviet relations.**
2. **GERMANY: Plebiscite on German unity--The Department of State concurs with US Ambassador Murphy's view that the western powers can best minimize the effectiveness of a plebiscite on German unity (proposed by the Soviet-sponsored Peoples' Congress) by not interfering with it and by conducting a publicity campaign to reveal the plebiscite as a Communist maneuver. Murphy believes that the Peoples' Congress promises to be the most successful Communist "popular front" move in Germany up to the present time and that its appeal to German nationalist sentiments is likely to attract considerable support even in the Western Zones.**

(CIA Comment: CIA believes that the proposed plebiscite will be a major reinforcement of the Communist "unity" propaganda line and will be much more effective in western Germany than the previous Communist efforts.)

## NEAR EAST-AFRICA

3. **IRAQ: Unrest reported at all-time high--US Ambassador Wadsworth, characterizing the internal situation in Iraq as "seriously disturbing," reports that politico-social unrest is at an all-time high. Wadsworth indicates that reliable**

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- 1 -

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Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REP. 77/1763

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reports of extensive crop failures have accentuated existing unrest over the bread shortage, soaring food prices (now at a new high), market inactivity, and unemployment. He adds that recent strikes and agitation suggest the possibility that "a well-directed subversive force has been feeling out its strength in anticipation of an all-out effort."

- 2 -

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## EUROPE

1. **CZECHOSLOVAKIA: Benes may oppose Communists--US Ambassador Smith in Moscow has been told by the Czechoslovak Ambassador (who has just returned from Czechoslovakia where he talked with President Benes) that Benes intends to veto the new Communist constitution, even though it may result in Benes' forced resignation. According to the Czechoslovak Ambassador, Benes declared, "My position is not as weak as it might appear on the surface. I can still veto the new constitution, and while I will be forced to resign afterwards the effect will be unmistakably to show the world again the ruthlessness of the dictatorship which has now been imposed on Czechoslovakia by the Communist minority."**

(CIA Comment: Despite Benes' apparent intention to veto the constitution, he may be unable, in view of his status as a virtual prisoner of the Communists, to make such an action known to the Czechoslovak public and the world.)

## THE AMERICAS

- 3.3(h)(2) 2. **NICARAGUA: Possibility of Somoza overthrow--The US Naval Attache in Guatemala City has been informed [redacted] that uprisings against General Somoza are scheduled shortly in Nicaragua. The NA estimates that the chances are good that the uprisings will be successful.**

(CIA Comment: Despite Somoza's awareness that such uprisings are planned, his ability to suppress them will be reduced by the presence of armed Nicaraguan revolutionaries and hostile Guatemalans along the southern frontier of Nicaragua and by his considerable loss of prestige for having supported the losing side in the Costa Rican civil war. Although Somoza will probably receive aid from the Dominican Republic, such help may not be sufficient to prevent his overthrow.)

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Auth: DDA Memo, 4 Apr 77  
 DDA REG 77-1763

Date: 14 Mar 78 By: 028

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## GENERAL

1. Soviet troops alleged to be fighting in Palestine--According to US Charge Memminger in Damascus, the Syrian Government has received military reports from Palestine to the effect that "Russian troops, not Jews" were advancing against Arab forces in Palestine. The "Russian troops" were reportedly supported by ten 2-engine US-type bombers.

(CIA Comment: Although CIA does not believe that actual Soviet military units are engaged in Palestine, many Russian-speaking Communists have infiltrated the Jewish forces. It is very likely that Arab military leaders are exploiting the rumored presence of Soviet troops in order to excuse the recent poor showing of the Arab forces and to alienate US opinion from the Zionist cause.)

## EUROPE

2. AUSTRIA: Legation's views on Austrian treaty--US Legation Vienna considers that, in recognition of the apparent desire of the USSR to conclude an Austrian treaty, the most advantageous course for the western powers is to: (a) sign a treaty after forcing all possible concessions from the USSR; (b) delay ratification of a treaty as long as justifiable, meanwhile knitting Austria into the structure of western European cooperation; (c) strengthen Austrian military capabilities; and (d) give Austria a public guarantee of security.

(CIA Comment: CIA believes that the USSR is now anxious to conclude an Austrian treaty, probably because Soviet pressure on the entire country can be more effectively applied following quadripartite troop withdrawal.)

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DDA Memo, 4 Apr 77

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## GENERAL

1. Bevin opposes forcible imposition of Palestine trusteeship--  
US Ambassador Douglas in London reports that Foreign Minister Bevin, after discussing the US Palestine proposals with Prime Minister Attlee and his colleagues, expressed the following views: (a) an agreed Arab-Jewish truce is most unlikely; (b) trusteeship will call for substantial force; (c) the UK will not participate in the use of force to impose any regime unacceptable to the Jews and the Arabs. Douglas comments that Bevin is deeply concerned with the dangerous possibilities of the situation for both the UK and the US, and that Bevin's present attitude is not inspired by an unwillingness to cooperate.
2. Proposed western European military conversations--US Ambassador Caffery has advised Secretary General Chauvel of the French Foreign Office that the five members of the western European union should complete a thorough evaluation of their own military capabilities before asking US views on military cooperation. According to Caffery, Chauvel replied that the five interested powers are in agreement now that this should be done. Chauvel added, however, that it is extremely important to the five powers to know what line is to be defended in case of "a Russian invasion," and declared that if it is not feasible to defend a line in Europe, "the sooner we know it the better because then we must make arrangements to move our government to North Africa."

(CIA Comment: Chauvel's statement regarding the line to be defended is probably an effort to learn US thinking on this strategic problem. Moreover, it reflects the growing French concern both over the possibility of war and the extent to which the US is willing to support western Europe in case of war.)

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Date: 14 MAR 1978 By: 028~~TOP SECRET~~  
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## EUROPE

3. **USSR: Possible shift in Soviet tactics**--US Ambassador Smith reports that a lull in Soviet political comment during the past two weeks may indicate an impending shift in Soviet tactics designed to reassure the west of the "peaceful" intentions of the USSR. Smith refers, in this connection, to reports from Paris of a new Kremlin directive to the French Communist Party calling for a strategy of non-violence in western Europe. (US Ambassador Steinhardt in Prague reports that the Czechoslovak press has abruptly discontinued its strong anti-US propaganda campaign.) Smith warns that the US should not be lulled into a false sense of security but should vigorously pursue its firm policy, build up US strength, and remind the public of the deceptive Soviet maneuvers which have been used in the past in order to permit the Kremlin to regroup its forces for further aggression.

## NEAR EAST-AFRICA

4. **PALESTINE: Increasing Arab pressure for intervention**--US Charge Memminger in Damascus reports that pressure from the Arab press and public for the active intervention of the Arab state armies in the Palestine fighting is growing stronger daily.

(CIA Comment: Jewish military successes, particularly the recent victory at Haifa, will hasten the direct intervention in Palestine of the Arab states. Without active aid from outside, the Jewish forces will be unable to defend themselves indefinitely against the Arab armies.)

5. **IRAQ: UK fears Government's fall**--According to US Ambassador Douglas in London, the British Foreign Office seriously doubts that the present Iraqi Government will last long enough to hold new elections. A Foreign Office spokesman informed Douglas that the Iraqi Government has virtually demanded financial assistance from the UK with the statement that it cannot meet even its 30 April civil and military payrolls.

- 2 -  
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The Foreign Office spokesman added, however, that a British loan is unlikely so long as the present "hopeless" Government remains in office. (The Department of State has meanwhile instructed US Ambassador Wadsworth to indicate to the Iraqi Government, in response to its informal request, that it would be difficult for the US to consider assistance for Iraq so long as the Palestine question remains unsettled.)

(CIA Comment: CIA concurs in the view that the situation in Iraq is extremely serious and believes that there is a possibility that civil strife will break out following the probable fall of the Government.)

#### FAR EAST

6. SIAM: Difficulties for Phibul Government predicted--US Embassy Bangkok reports that while the Phibul Government has received a vote of confidence (70 affirmative, 26 negative, and at least 64 abstentions) the vote indicates that future support in the Parliament is uncertain. The Embassy believes that the Government may be defeated on legislation which must be presented to and passed by Parliament within the next few weeks.

(CIA Comment: CIA concurs with the Embassy's estimate and believes that a legislative defeat may cause Phibul either to dissolve Parliament or to by-pass it and govern by edict through the Supreme State Council.)

- 3 -

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669

GENERAL

1. Iraq and Transjordan troops reportedly will be sent to Palestine--

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[Redacted] it was decided that Iraq would despatch regular troops, artillery, and planes to assist the Arabs in Palestine. [Redacted] similar action would be taken by Transjordan.

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(CIA Comment: The Arab debacle at Haifa increases the probability that the Arab governments will be forced by public pressure to commit their regular armies in Palestine. Although organizational, transport, and supply problems would probably prevent the arrival of Iraqi forces in effective numbers for several weeks, Transjordan and Syrian troops are available immediately.)

EUROPE

- 2. ITALY: Direct action by Italian Communists believed improbable-- US Embassy Rome reports that its most reliable information points to a Communist policy of strikes and minor disturbances for the present and not direct action. The Embassy believes that immediate Communist policy will be to make every effort to hold the Italian General Confederation of Labor (CGIL) together under Communist domination and to press for representation in the new government through the CGIL on the grounds that labor must be represented. The Embassy also transmits "responsible reports" that several large groups of Communist partisans have been demobilized.

The Military Attache in Moscow reports that the results of the Italian elections have elicited no strong Soviet reaction. The MA comments that the weak propaganda reaction, coupled with the failure to take any dramatic action prior to the elections, suggests that the Kremlin (a) has written off Italy temporarily; and (b) may lessen its overt expansionist effort in western Europe in order to permit aroused anti-Communist sentiment to subside. US

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Embassy Belgrade reports that the tone of the Yugoslav press indicates pained disappointment and bitterness but that the articles do not appear to be those which might have been expected "if the Yugoslav Government were planning, or conditioning the people for, some form of direct intervention."

3. GERMANY: Reported Soviet plans for eastern German regime-- Headquarters of the European Command in Frankfurt believes that if the Kremlin resorts to positive action in Germany about 1 May, the USSR will probably establish an eastern German government with the four powers remaining in Berlin but inoperative as a controlling or governing element. The Headquarters has received reports substantiating this conclusion; one such report suggests that Soviet officials have decided to unify the Soviet Zone on 1 May 1948 under a central government which will be composed of prominent individuals in the Peoples' Council of the Peoples' Congress. The Headquarters expects the USSR to give greater recognition and additional support to the Peoples' Council as a possible replacement for existing political parties in the Soviet Zone.

(CIA Comment: CIA believes that the USSR may utilize "May Day" as an occasion for accelerating its efforts to establish a provisional government in the Soviet Zone, and that such action would be accompanied or preceded by increased Soviet pressure on the western powers in Berlin.)

#### FAR EAST

4. KOREA: Anticipated election disorders--General Hodge expects that Communist-led disorders immediately prior to and during the 10 May South Korean elections will equal or surpass those during February. Hodge estimates that there will be some violence on 1 May and an all out uprising during 8-10 May. He believes that the police will be able to control situation.

- 2 -

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5. **FRENCH INDOCHINA: French position weakening**--The US Assistant Naval Attache in Bangkok quotes the French Chief of General Staff in Indochina as declaring that a minimum of fifty additional battalions is required for further effective military action. The Naval Attache notes that the departure from Indochina of the Chief of Staff and certain troop commanders leaves the French Army in Indochina "virtually directionless." He adds that the projected return to France of two able civil officials will increase the existing shortage of experienced personnel in key civil positions. US Consul General Saigon reports that High Commissioner Bollaert apparently has so far been unable to bring together Ho Chi Minh and Bao Dai representatives in Hongkong.

(CIA Comment: CIA believes that the cumulative effect of these developments will strengthen Ho Chi Minh and may enable the Viet Minh further to consolidate its military and political position. The French might consequently feel justified in requesting US or UN mediation.)

#### THE AMERICAS

6. **COLOMBIA: Possibility of post-conference instability**--US Embassy Santiago has learned that the Chilean Ministry of Foreign Affairs has received "disquieting reports as to the stability of conditions in Bogota, with the possibility of further trouble as soon as the conference adjourns."

US Embassy Bogota has been informed that oil workers in the Barranca Bermeja area (near Bogota) have returned to work, and that oil production is now approaching two-thirds normal and the present deficiency is caused by mechanical difficulties, not sabotage.

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## GENERAL

1. USSR reportedly delivers another note to Iran--The US Military Attache in Tehran has been informed by Chief of Staff Razmara that the USSR has delivered another note to Iran rejecting the last Iranian note (1 April). The Soviet note is said to state that the Allies occupied Iran in 1941 because Soviet security was jeopardized and that a similar situation exists now.

## EUROPE

2. FRANCE: Communist discontent with Party policies--US Embassy Paris reports increasing signs of discontent among rank and file members of the French Communist Party with respect to Communist policies, especially the frontal attack against the European recovery program. The Embassy has been told by "a trustworthy informant" that the Communists are increasingly worried over the growing feeling among trade unionists that the attitude toward US aid taken by the French Confederation of Labor and the World Federation of Trade Unions (WFTU) has been too uncompromising. Several Communist labor leaders have reportedly expressed the belief that the WFTU Executive Committee will seek, at its 30 April meeting in Rome, some compromise formula which might prevent a WFTU split over the European recovery program issue.

(CIA Comment: The Soviet Trade Union Council recently indicated that it would uphold the right of each national affiliate in the WFTU to determine its own attitude toward the European recovery program. CIA believes that any split in the WFTU is less likely to occur at Rome than at the Brussels Congress next fall.)

3. TRIESTE: Communists plan illegal May Day demonstration--US Political Adviser Joyce reports that the Communists are proceeding with their plans for a mass demonstration in Trieste.

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- 1 -

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on May Day in defiance of AMG regulations. Joyce indicates that the Communists are attempting to bring demonstrators into Trieste from Yugoslavia and adds that pro-Italian activist groups are proving difficult to control.

(CIA Comment: Although Communist-sponsored demonstrations on May Day may lead to sharp clashes between Communists and Italians, control measures being taken by AMG and the Trieste police will prevent such clashes from developing into large-scale mob violence.)

4. CZECHOSLOVAKIA: Benes a "physical and mental wreck"-- According to US Ambassador Steinhardt, the remarks recently made to US Ambassador Smith in Moscow by Czechoslovak Ambassador Horak "should be treated with the utmost reserve." (Horak told Smith that Benes intends to veto the new Communist constitution; see Daily Summary of 21 April, item 1.) Steinhardt points out that certain of Horak's statements to Smith are inconsistent with those he made recently to Steinhardt. Steinhardt adds that Benes has been "a physical and mental wreck for two months."

#### NEAR EAST-AFRICA

5. IRAQ: Report of troop movements to Palestine denied--The US Military Attache in Baghdad has been informed by the Director of Operations of the Iraqi General Staff that there is no intention "at present" of sending Iraqi troops to Palestine.

(CIA Comment: Despite such official denials, CIA considers it distinctly possible that troops of the Arab national armies will enter Palestine not later than 15 May. Such troops, however, are more likely to come initially from Transjordan and Syria than from Iraq.)

- 2 -

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**THE AMERICAS**

6. **VENEZUELA: Government to take anti-sabotage measures** -- US Embassy Bogota reports that ex-President Betancourt (head of the Venezuelan delegation to the Bogota Conference) feels that his government should install anti-aircraft equipment at Venezuelan oil fields. Betancourt will recommend that the Venezuelan Government send a mission to the US to purchase such equipment. Betancourt perceives no objection if the US-owned oil companies send civilian anti-sabotage experts to Venezuela. US Embassy Caracas reports that the Venezuelan Government is preparing to send Army units to the oil fields on 30 April in anticipation of possible May Day disturbances.

- 3 -

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## GENERAL

1. Possible future Communist line in western Europe--US  
Embassy Paris reports that the 24 April issue of HUMANITE (French Communist Party newspaper) contained "a joint manifesto of the Communist parties of France, the UK, Belgium, Netherlands, and Luxembourg," which describes the European recovery program as a "war plan" and states that peace can be secured only "through the solidarity of the (Communist) peoples" of these five countries. The Embassy has been informed by a "trustworthy source" that upon instructions from the Kremlin, Communists in France are preparing to hold international congresses which would coordinate Communist action against the "US menace."

(CIA Comment: Although there has not as yet been any outright indication from Moscow of the post-Italian election party line, this manifesto may well reflect future Soviet and Communist intentions in western Europe and may therefore indicate a continuation of the intense Communist militant attitude toward all facets of US foreign policy.)

## EUROPE

2. ITALY: Italian Government wishes to retain battleships--  
According to US Ambassador Dunn, the Italian Government has given several recent indications of wishing to avoid the scrapping of the two battleships, the ITALIA and the VITTORIO VENETO, which were assigned to the US and the UK under the Italian treaty and reassigned to Italy for conversion into scrap. Dunn is convinced that France, the UK, and the USSR will not agree to a revision of the plans for the scrapping of these ships and that it would be inadvisable for the US to consider favorably such a revision. Dunn believes that a preferable modification of the naval clauses of the treaty would be one permitting the Italian navy to have more modern types of war vessels and to use modern defensive weapons.

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3. TRIESTE: Suppression of Communist press considered--  
 US Political Adviser Joyce reports that the pro-Communist press campaign in Trieste against AMG "is close to crossing the line between hysterical abuse and positive incitement to violence." Joyce indicates that General Airey, although reluctant to interfere with the press, believes it may be necessary in the interest of public security to suppress pro-Communist newspapers in the area during the May Day period.
4. RUMANIA: Protest to Greek Government--US Minister Schoenfeld transmits published reports that Rumania has sent an official protest to Greece, charging wholesale persecution of the alleged 500,000 Rumanian nationals in Greece. (CIA estimates that there are no more than 30,000 Rumanian nationals in Greece.) Schoenfeld believes that the suddenness of this action without the usual press build-up indicates the receipt of new instructions from the Kremlin and suggests "possible larger and more serious motivations."

(CIA Comment: The Rumanian protest is probably designed primarily as an intensification of the Soviet war of nerves against Greece. Although it is possible that the Kremlin may be providing Rumania, as it has other Satellites, with a legal excuse for subsequent recognition of the Markos government, CIA has received no evidence that such recognition is imminent.)

5. FINLAND: Plan to oust Communists from Government--US Minister Warren has been informed that Finnish politicians are still actively considering maneuvers to overthrow the Government in order to establish a regime which would: (a) eliminate Communist control of the Ministry of the Interior and thus guarantee a free election; and (b) inform the west that Finland still retains freedom of action. According to Warren's informant, these politicians plan that, following ratification of the Soviet pact, the present Cabinet would resign upon failure to obtain a vote of confidence and a Social Democratic government would

- 2 -

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subsequently be formed. Warren adds that Rightists and Social Democrats are not unanimous in favor of the project and the Government may thwart this scheme by not insisting upon a vote of confidence.

(CIA Comment: CIA believes that elimination of the Communists from the Finnish Government, while reducing the chances of electoral abuses, would incite the USSR to adopt a more aggressive and coercive policy in an attempt to reduce Finland to complete Satellite status.)

#### NEAR EAST-AFRICA

6. PALESTINE: Arab plans for intervention developing slowly-- Reports from US and UK diplomatic representatives in Arab capitals indicate that despite tremendous public pressure for intervention, responsible Arab leaders are apprehensive of committing their regular armies in Palestine. The King of Transjordan and the Regent of Iraq are said to have insisted that before they move their troops assurances must be given by all Arab states of full support with men, money, and materials. The Egyptian Government is reluctant to participate in such a campaign because of probable international repercussions and the need of retaining all its forces in Egypt for reasons of internal security.

(CIA Comment: Arab leaders, distrustful of one another's motives, are reluctant to commit their armies to an all-out effort in Palestine. It is increasingly probable, however, that they will be forced into direct military intervention by public opinion, which has been further aroused by the arrival of Arab refugees from Palestine. Except for the Transjordan Arab Legion and some Syrian units, no effective forces are immediately available for such an operation.)

- 3 -

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BAR EAST

7. CHINA: Weakened position of Chiang Kai-shek--US Embassy Nanking reports that developments connected with the vice presidential elections in the National Assembly have seriously split the Kuomintang. The Embassy adds that a large group of civil and military officials, as well as the vast majority of politically articulate Chinese not intimately associated with the Kuomintang machine, are now convinced that Chiang Kai-shek cannot provide the liberal, effective, and vigorous leadership which the present situation requires. The Embassy states further that the election of Li Tsung-jen to the vice presidency (which it considers likely) would in effect be a rejection of Chiang's leadership and might cause Chiang to refuse to accept the presidency. The Embassy comments, however, that despite the disturbing features in this situation, it is encouraging to note that "democratic forces are now making themselves felt in protest against autocracy and reaction."

Return of Soviet Ambassador--US Embassy Nanking also reports that General Roschin (former Soviet Military Attache in Nanking who was named Soviet Ambassador to China last February) is expected to return to Nanking in early May.

(CIA Comment: Roschin may be expected on his return to resume conversations with Nationalist officials concerning the possibilities of a compromise settlement with the Chinese Communists. Growing defeatism in Nationalist China and open dissatisfaction with the ineffectiveness of Chiang Kai-shek's Government probably will make Nationalist officials increasingly receptive to discussions of a compromise.)

#### THE AMERICAS

- 3.3(h)(2) 8. ECUADOR: Leftists plan revolt- [redacted] the followers of General Alberto Enriquez Gallo (presidential candidate of left-wing Liberals and Socialists) have perfected plans for a revolt to be started in Guayaquil sometime before the

- 4 -

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elections on 6 June 1948. The Communists are reported to:  
(a) be prepared to support the Enriquez group if it makes the initial attack; and (b) desire to follow the same pattern of destruction which was used in Bogota.

(CIA Comment: CIA believes that Enriquez will resort to revolution if he is convinced that he cannot win the election and estimates that he has sufficient military support to justify such a move. The Guardia Civil (national police force) is pro-Enriquez. Enriquez is known to have some support among army enlisted personnel and junior officers, but his position with the army as a whole is uncertain.)

9. ARGENTINA: US negotiations for food surpluses urged-- US Ambassador Bruce strongly recommends that he be authorized to negotiate with the Argentine Government for an agreement providing for the sale of grains and other products to the US and to European recovery program participants. Bruce suggests that such an agreement include the following terms: (a) Argentina to make such products available at "world market prices"; (b) US assurances that Argentina will receive at least \$300 million from such sales during the first year; and (c) an Argentine guarantee that a "reasonable percentage" of US dollars be reserved to enable private Argentine business to pay for US purchases.

- 5 -

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672

GENERAL

1. UK informed of US concern over possible Arab invasion--  
 The Department of State has instructed US Ambassador Douglas in London to inform Bevin and Attlee of the concern of the US over reports that King Abdullah of Transjordan is planning to invade Palestine in the near future. The Department states that if the armed forces of any Arab country should invade Palestine, the US would be forced to: (a) take a strong position in the UN; (b) point out that such invasion was in violation of the UN Charter; and (c) insist that appropriate steps be taken to eject the invaders, including if necessary the despatch of forces under UN auspices. The Department adds that if Abdullah invades Palestine, it would be difficult to dispel the impression, not only in the US but throughout the world, of British complicity in the matter in view of the close military and economic relations between the UK and Transjordan.

2. USSR presents protest to Norway--US Embassy Oslo has been informed by a high Norwegian official that the Norwegian Foreign Office has received a violent Soviet protest concerning the showing of the "anti-Soviet" film, "Ninotchka." Because of the abrupt and formal manner in which the protest was delivered, the Foreign Office is concerned whether the protest should be interpreted as the beginning of a Soviet war of nerves against Norway.

(CIA Comment: The Soviet protest, coming so soon after Foreign Minister Lange's public statement on 19 April that Norway would positively reject any Soviet offer of a pact, may be intended as a counter-measure to the Norwegian Government's anti-Communist campaign.)

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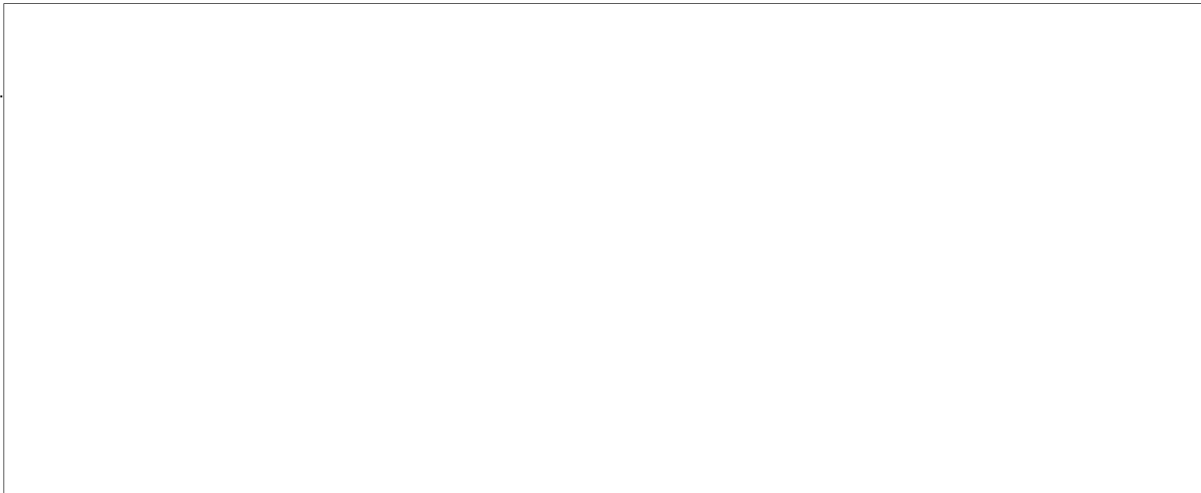
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DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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4. **GERMANY: USSR halts US metal shipment from Berlin--**  
General Clay reports that Soviet authorities have halted and unloaded four barges loaded with steel scrap in transit from the US sector of Berlin to the US. The US Military Government in Germany has threatened the Soviet Military Administration with a retaliatory stoppage of the loading at Bremen of reparation equipment for delivery to the USSR.

**NEAR EAST-AFRICA**

5. **SAUDI ARABIA: King repeats request for US military aid--**  
US Minister Childs reports that King Ibn Saud has earnestly reiterated his request for US military assistance. Ibn Saud said that, in return for this aid, he would grant the US any Saudi Arabian facilities it desired to defend US strategic interests against the USSR. The King further requested that the US either make him a specific offer of assistance or inform him now that it will not provide the aid he desires.

**THE AMERICAS**

6. **MEXICO: Possible serious May Day disturbances--**US Embassy Mexico reports that, despite the Mexican Government's precautionary actions, serious May Day disorders may result

- 2 -

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from the following: (a) the inaugural meeting of the Latin American Youth Congress on 30 April; (b) the Electricians' strike scheduled for 1 May; (c) the National University student strike now in progress; and (d) the four separate parades to be conducted by rival labor groups in Mexico City on 1 May.

(CIA Comment: CIA pointed out in the Weekly Summary of 23 April, page 5, the possibility of major disturbances in Mexico on May Day. If a serious crisis does occur, it may threaten the stability of the Aleman Government whose prestige has recently declined.)

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**7. COLOMBIA: Possibility of Conservative coup discounted--**

[redacted] a group of retired Army officers and Conservative office-holders, claiming to have the support of President Ospina Perez, is endeavoring to win Army support for a coup.

(CIA Comment: CIA considers it unlikely that the Army would support any armed overthrow of the Government, because for more than a decade the Colombian Army has been notably scrupulous in refraining from interference in political developments. [redacted])

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**NOTE:** In Item 4 (page 2) of the Daily Summary for 27 April the sentence reading, "CIA estimates that there are no more than 30,000 Rumanian nationals in Greece," should be changed as follows: "CIA believes that there are fewer than 20,000 ethnic Rumanians in Greece. This semi-autonomous group of so-called 'Vlachs' has never been a conscious 'minority'."

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29 APR 1948

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## GENERAL

1. Arab plans for invasion of Palestine--US Ambassador Tuck in Cairo believes, on the basis of information from the Secretary General of the Arab League and other informed sources, that the Arab states will probably not implement a reported "overall agreement" regarding the dispatch of their armies to Palestine until: (a) the detailed plan of action has been approved by Saudi Arabia, Syria, and Lebanon; (b) a further effort has been made by the Arab volunteers in Palestine, who are to be supplied with all arms available; and (c) essential steps have been taken to mobilize the official Arab armies and coordinate their efforts. Tuck adds that Transjordan, Iraq, and Syria are expected to provide the major forces, and Lebanon the minor units. Tuck believes that the initial contribution from Egypt will consist principally of funds. Meanwhile, the British commander in Palestine has expressed to US Consul General Wasson in Jerusalem the belief that King Abdullah of Transjordan will not send any troops to Palestine before 15 May.

(CIA Comment: Unless further full-scale Jewish attacks develop in the near future, it appears unlikely that the Arab armies will invade Palestine in force before British withdrawal, scheduled for 15 May.)

2. France favors defense system of regional groups--Secretary General Chauvel of the French Foreign Office has told US Ambassador Caffery that France strongly favors the inclusion of Italy in a "defense system." Chauvel indicated, however, that France desires the establishment of several coordinated defense groups, one around Brussels, one in the "eastern Mediterranean" (to include Italy, Greece, Turkey, Iran, and the Arab states), and possibly one in northern Europe. Chauvel said that the Netherlands is showing a certain "diffidence" toward the entrance of Italy into the union of western European powers.

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- 1 -

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3. USSR suggests discussions on German transport deadlock--  
According to Acting US Political Adviser Chase, the Soviet Director of Transport in Berlin has informed UK representatives that he desires to hold a tripartite "working party" conference to discuss surface transportation difficulties between the Soviet zonal authorities and the western powers. The Soviet Director indicated a willingness to relax somewhat the Soviet position in the current dispute with the UK on the barge problem. Chase emphasizes, however, that no arrangements for programming traffic between the Soviet and western zones have been made since the breakdown of the Allied Control Authority, and all rail entry points from the west to Berlin have been closed with the exception of Helmstedt.

(CIA Comment: CIA believes that in any discussion the USSR would attempt to: (a) secure at least partial western acquiescence in the restrictions which have been imposed on traffic; and (b) eliminate delays in barge shipments consigned to the Soviet Zone.)

#### EUROPE

4. GERMANY: "German unity" petitions to be banned--Acting US Political Adviser Chase reports that the US Military Government intends to notify Communist parties in the US Zone that the People's Congress movement is an illegal organization and therefore its circulation of any petitions for a referendum on German unity will be illegal. The Military Government will not oppose the campaign of the Bavarian Communists for an amendment of the Bavarian constitution providing for Bavarian participation in a unified German republic.

(CIA Comment: CIA believes that the German unity campaign will be carried on in other fields besides the purely political and may be accompanied by popular disturbances. The degree to which the new German unity campaign is effective will largely depend upon the extent to which the Communists can exert influence on the ostensibly anti-Communist nationalist groups now developing in western Germany.)

- 2 -

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5. SPAIN: Reaction to Italian elections--US Charge Culbertson believes that some degree of political and economic liberalization in Spain may possibly result from Franco's realization that the democratic victory in Italy has weakened Spain's international strategic position. The Spanish Government had expected Spain's inclusion in the European program to result from a Communist victory in the Italian elections.

(CIA Comment: CIA agrees that the setback to Communism in Italy will impair Franco's domestic propaganda position. Franco probably will not, however, risk the political consequences of modifying his economic policies until he is convinced that economic disaster is imminent. Such a crisis is in formation but will be retarded by the Argentine loan and by possible indirect benefits from the European recovery program.)

#### NEAR EAST-AFRICA

6. GREECE: Tsaldaris urges extension of parliamentary recess--US Charge Rankin reports that Greek Foreign Minister Tsaldaris has proposed to Prime Minister Sophoulis that: (a) the King exercise his authority to prolong the present parliamentary recess until 10 June; and (b) four Populist and four Liberal ministers be replaced at once.

(CIA Comment: An extension of the present recess--scheduled to end 10 May--would have the beneficial effect of continuing a period relatively free of dangerous political bickering. The replacement of certain ministers might check the growing popular discontent with the Government.)

#### THE AMERICAS

7. PANAMA: Possibilities of disorder--US Embassy Panama City reports that election-time disorders in Panama may result from: (a) an armed coup by the followers of Arnulfo Arias, (b) assassination of prominent political leaders, and (c) provocation by Communist groups.

- 3 -

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(CIA Comment: CIA estimates that: (a) a coup by the followers of Arnulfo Arias is a possibility at the election time but would probably be so quickly accomplished that no general disorders will result; (b) any political assassinations are unlikely unless general political disturbances break out; and (c) the Communists will be unable to create serious disorders in Panama during or after the presidential elections scheduled for 9 May.)

- 4 -

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**GENERAL**

1. Developments in Palestine situation--Foreign Secretary Bevin has assured US Ambassador Douglas in London that the UK is using "all influence possible" to deter King Abdullah of Transjordan from invading Palestine. The UK has also sent messages to Syria, Egypt, and Iraq urging that no aggressive acts be undertaken. Douglas says that the replies of the Arab governments indicate that if the Jewish forces desist from provocative attacks and aggressive action against Arab areas in Palestine, the Arab states will not engage in offensive military operations. Several of the governments point out, however, that because the Jews are on the offensive everywhere, it will be difficult for the Arab forces to refrain from engaging in "retaliatory action."

Douglas also transmits the estimate of the British High Commissioner in Palestine that the Jewish Agency is fearful lest the US should attempt to impose trusteeship and therefore believes the Agency's only course is to establish a Jewish state and launch an all-out offensive against the Arabs, thereby demonstrating Jewish military strength. Douglas says that the UK delegation at the UN believes that the prospects of a truce in Palestine are generally negligible.

US Ambassador Wadsworth in Baghdad reports that "elements of the Iraqi Army" have left for Transjordan. [redacted], the force is composed of approximately 1500 men and contains armored cars and light field artillery. (The US Military Attache in Baghdad had previously reported that two mixed brigades--of which this is apparently one--were available for immediate employment.)

Wadsworth also expresses the fear that "fanaticism is in the saddle" throughout the Arab world and that Arab leaders who are personally open to suasion must conform to the "surging popular demand" for direct military action or be forced out of office.

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Date: 19 MAR 1978 By: 028

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2. Soviet protest of US air activity rejected--The Department of State has instructed US Embassy Moscow to reject Soviet protests concerning US surveillance of Soviet shipping in waters adjacent to Japan. The Embassy is to declare that the US considers such activities essential to the effective occupation and control of the Japanese islands.

## EUROPE

3. ITALY: Inclusion of moderate leftists in cabinet likely--US Embassy Rome considers there is every reason to believe that Premier De Gasperi will succeed in forming a government containing representatives from the independent Leftists--the Saragat-Lombardo Socialists and Republicans. The Embassy believes that a face-saving formula will have to be found in order to prevent the public from considering these independent elements as "mere Christian Democrat appendages." The Embassy reports that De Gasperi has reiterated his intention to undertake agrarian reform.

(CIA Comment: CIA believes that the face-saving formula would require active participation of the independent Leftists in the administration of the European recovery program and the implementation of a government program clearly incorporating moderate Socialist economic and social reforms.)

Possible investigation of Italian-Yugoslav border dispute--US Ambassador Dunn has learned from an Italian Foreign Office official that Italy may refer investigation of the current series of incidents on the Italian-Yugoslav border to the US, British, French, and Soviet ambassadors in Rome if a joint Italo-Yugoslav investigating commission fails to reach an agreement. Dunn believes that if the Italians present a good case to the ambassadors, the US should firmly support it. He points out that the US might thereby have an opportunity to consider the whole question of the Italian-Yugoslav border. (US Embassy Belgrade reports that the Italian Legation in Belgrade has since the elections given evidence of a "sharp change in attitude" toward the Yugoslav Government.)

- 2 -

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4. **GERMANY: Wave of food strikes may follow ration cuts**-- Acting US Political Adviser Chase reports that a new wave of food strikes in various parts of Germany may threaten as a consequence of recent drastic cuts in the meat and bread rations. Chase reports that US Military Government officials believe that further strikes and demonstrations will probably result from the additional reduction in the meat ration expected in May. Chase believes that Communists in western Germany may attempt to cripple industrial recovery and the European recovery program by utilizing such food strikes to foment a "large-scale strike."

(CIA Comment: CIA concurs in this estimate.)

#### NEAR EAST-AFRICA

5. **TURKEY: Pact with USSR appears improbable**--According to US Ambassador Wilson, Foreign Minister Sadak thinks that it is "not unlikely" that Soviet Ambassador Lavrishchev may at some future date propose a new Soviet-Turkish pact of friendship and non-aggression but doubts that the USSR would be willing to accept the conditions which the Turks would insist on. Sadak said Turkey would sign such a pact only if: (a) Soviet demands affecting Turkish territory and sovereignty were officially withdrawn; and (b) the pact specifically recognized Turkey's alliance with the UK and its friendly relations with the US.

#### THE AMERICAS

6. **PANAMA: Possible revolutionary activities**--General Crittenberger, Commander-in-chief in the Caribbean, notes that his command is now in the midst of revolutionary and Communist activities. He reports that supporters of one of the three leading contenders in the impending presidential elections in Panama have threatened to use force to win and that the Communists may "attempt to follow the Bogota

- 3 -

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pattern" in the event of election disorders. Crittenberger adds that "some of the same elements which were factors in the Bogota situation are now present in this area."

For these reasons, Crittenberger believes that Panama may "become the focal point for a serious outbreak in the near future." In such event, he foresees the possibility that US troops "may have to move into the Republic of Panama" promptly in order to provide protection and security to the Panama Canal and several thousand US citizens residing in the Republic. Crittenberger suggests that the State Department be so informed.

The Department of State has concurrently informed US Embassy Panama of its view that armed intervention in Panama "could have extremely serious repercussions throughout the hemisphere" and consequently that the Department should be consulted before such action is taken. The Department asks that only "purely defensive measures" be taken in the event that prior consultation is impossible.

(CIA Comment: CIA estimates that although a coup by the followers of Arnulfo Arias is a possibility near the time of the elections, no protracted general disorders are likely as a result. CIA does not believe that the Communists themselves will be able to create serious disorders at present.)

- 4 -

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## GENERAL

1. UK Foreign Office views on Soviet aims--US Embassy London transmits the following British Foreign Office estimate of immediate Soviet aims and how the western powers can best meet them. The Foreign Office considers that war is not imminent; the USSR has little to gain from making war in Western Europe and would not wish to assume the responsibility of feeding 40 million Germans and millions of other Europeans. The western policy of firmness is bearing fruit and should be continued; the success gained in the Italian elections should be followed up by every effort to strengthen the Western European Union and to assure the maximum effectiveness of the European recovery program. The Foreign Office considers that the USSR really fears the dollar which offers the best way of meeting the Communist threat. The Foreign Office concludes that the "trend of events in Western Europe would no doubt deflect Soviet attention and intrigue in the first instance to the Middle East, and secondarily to the Far East; in the Far East the first point of intensification would no doubt be Korea."
2. French dubious on Italian inclusion in defense system-- US Ambassador Caffery reports that the French Foreign Office is undecided on the questions of including Italy in a western defense system based on the Brussels Pact and of reconsidering the military clauses of the Italian treaty. A reliable Foreign Office official has expressed the view to Caffery that while France desires Italian inclusion in the Brussels Pact, (a) the Dutch and Belgians are reluctant because of the possibility that they might thus become automatically involved in hostilities in the Mediterranean area, and (b) the French would prefer to find some formula which would permit them to "wink at" the expansion of Italian armament beyond treaty limits without presenting the appearance of abrogating officially the military clauses of the Italian treaty. Caffery says the Foreign Office is considering the possibility of setting up two regional defense

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DDA REC 77/1763Date: 14 MAR 1978 By: 028~~TOP SECRET~~  
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systems: (1) composed of present signatories of the Brussels Pact and (2) including France, the UK, and Italy, and at a later date, Greece and Turkey. Caffery adds that the Foreign Office believes that Spain must eventually be included in any European defense system, Mediterranean or otherwise, because of its strategic value.

### EUROPE

3. AUSTRIA: Strategic commodity stockpiles recommended--  
US Commanding General Keyes recommends that the European Cooperation administrator establish emergency 90-day reserves of critical items, particularly oil, as soon as possible and hold them in readiness in or near Austria for immediate supply to Austria in case of actual or threatened failure of the USSR to continue deliveries of these items from sources under its control. Keyes explains that this would minimize Soviet capabilities of exerting economic pressure on Austria and jeopardizing the recovery program in Austria. Keyes emphasizes that these reserves should be over and above any regular ECA allocations.
  
4. ITALY: USSR willing to discuss commercial pact--US Embassy Rome has been informed by the Italian Foreign Office that the USSR is willing to proceed with negotiation of a commercial agreement, a commercial treaty, and with a discussion of reparations, including Balkan assets. The Foreign Office adds that the USSR will not demand that these negotiations include an Italian commitment at this time as to the production for reparation payments.

(CIA Comment: Soviet withdrawal from its previous insistence that Italy agree now on reparations from current production (to begin after a 2-year period) may indicate that the Kremlin has decided that the development of trade with Italy is more important than an immediate solution to the reparations problem.)

- 2 -

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5. **FRANCE: Optimism regarding Schuman's prospects**--US Ambassador Caffery reports that the Schuman Government's refusal to accept recent Gaullist peace offers has infuriated the Gaullists who wish to take over power now; the Gaullists fear that "there will be no reason for De Gaulle," if the Schuman Government succeeds in effecting economic stabilization. Caffery notes increased general optimism that Schuman (a) may succeed in solving the problems which confront him; and (b) may get through the summer months without too much difficulty.

**NEAR EAST-AFRICA**

6. **PALESTINE: Arab states D-Day reported to be 5 May**-- According to US Ambassador Wadsworth in Baghdad, the Transjordan Minister to Iraq has informed his Lebanese colleague that, under an agreement reached at Amman (Transjordan), 5 May has been set as the date for Arab invasion of Palestine.

(CIA Comment: Invasion of Palestine by the Arab states in the near future appears to be virtually assured. This report is one of several indications that the Arab governments, under pressure of aroused public opinion, may be acting precipitantly, disregarding the fact that they would avoid clashes with the UK forces by waiting until 15 May.)

- 3 -

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GENERAL

1. Arab invasion of Palestine unlikely before 15 May--US Ambassador Wadsworth in Baghdad has been informed by the Transjordan Minister to Iraq that at the recent conference at Amman, 5 May was not set as D-day for the Arab invasion of Palestine. (This statement corrects information previously reported in Daily Summary of 1 May, item 6.) According to the Transjordan Minister, it was agreed at Amman that: (a) the Transjordan Arab Legion would not invade Palestine "in force" until after 15 May; and (b) other Arab states would maintain contingents along the frontiers but would not invade Palestine unless the Arab Legion failed or unless "there should be intervention by a foreign power."

(CIA Comment: CIA believes, on the basis of the latest reports from US and British representatives in the Arab capitals, that no Arab army will invade Palestine in force before 15 May.)

EUROPE

2. GERMANY: Social Democrat views on Berlin situation--According to Acting Political Adviser Chase, leaders of the Social Democratic Party (SPD) believe most emphatically that it is important for the western powers to remain in Berlin and also feel that if matters get any worse in Berlin it will be necessary to evacuate SPD leaders from the Soviet sector. The SPD reportedly plans, if the party is dissolved in the Soviet sector of Berlin, to begin the organization of an underground, using previously inconspicuous personnel. The SPD office in Berlin has emergency plans for evacuation of key personnel from the Soviet sector if the Kommandatura breaks up.
3. USSR: MA's views on immediate Soviet intentions--The US Military Attache in Moscow expresses the opinion that the Soviet regime is temporarily curbing its expansionist policy in order to induce the US to curtail a realistic war preparation program. He therefore believes that the Kremlin does not desire war at present,

Document No. 628

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 628

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and is apprehensive lest it precipitate an immediate armed conflict. He adds that, while awaiting more propitious conditions for overt westward expansion in Europe, the Soviet Union will strengthen its internal capabilities to wage war and attempt to consolidate further its present holdings in Europe. He expects additional Soviet efforts to expel the western powers from Berlin and Vienna. The MA also believes that the Kremlin will probably turn its immediate expansionist efforts toward the Near and Middle East and that Iran--because of its strategic position, oil reserves, and Soviet proclaimed treaty obligations--is the probable immediate objective.

(CIA Comment: These conclusions are substantially in agreement with those stated by CIA in the Weekly Summary of 30 April.)

4. GREECE: Guerrillas may foster peace rumors--US Charge Rankin considers that, although rumors of a guerrilla peace offer have been officially denied, the Communists may have initiated such an offer (or rumors of it) in order to: (a) arouse liberal sentiment for an end of the war in Greece; or (b) determine the Greek Government's attitude toward such a settlement. Rankin believes that the prospects for continuing military success of the Greek National Army may impel the Communists to prepare the ground for an eventual "political solution" but warns against the feeling that there is an "easy way" out of the present struggle.

- 2 -

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46  
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677

## GENERAL

1. Proposed discussions of German transport deadlock--According to Acting Political Adviser Chase in Berlin, UK representatives have arranged to discuss with Soviet representatives on 6 May the current deadlock over transportation between the eastern and western zones of Germany. Chase reports that General Clay will permit US participation in these discussions only if the Soviet representatives approach US representatives directly and agree to discuss military traffic as the first item on the agenda.

(CIA Comment: CIA doubts that the USSR will agree to discuss first the lifting of the recent restrictions on western military traffic.)

2. Italian entry in western defense system held inadvisable-- According to US Ambassador Smith in Moscow, the Italian Ambassador there believes that it would be a mistake for Italy to enter the western defense system at present because no western state has adequate power to assist Italy in the event of a direct attack. The Italian Ambassador reportedly feels that the Italian objective should be the attainment of sufficient strength to discourage Soviet military action against Italy. Smith comments that these remarks apparently reveal a "forlorn hope" of preserving neutrality in the event of another European conflict, combined with a practical realization by the Italians that military strength is the basis of all their hopes. (Italian Premier De Gasperi has previously indicated that Italy is anxious to join a western union provided a revision of the Italian peace treaty will permit Italian armed forces to become effective for defense purposes.)
3. US urges British to extend Palestine mandate 10 days--The Department of State has informed US Ambassador Douglas in London that the US delegation to the UN will propose the following plan for Palestine: (a) unconditional cessation of hostilities

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Auth: DDA Memo, 4 Apr 77

Date: 14 MAR 1970 77/1763

By: 028

- 1  
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for 10 days beginning 5 May; (b) recess of the General Assembly for a 10-day period; (c) immediate air movement to Jerusalem of a commission (composed of representatives of the Arab Higher Committee and the Arab states; the Jewish Agency; and the US, France, and Belgium) to negotiate a truce; and (d) extension of the British mandate for 10 days beyond 15 May. Douglas is instructed to request of Bevin that the British agree to extend the mandate, in order to permit the General Assembly to recommend some "more enduring, even though temporary, form of government for Palestine."

4. UK differs with US and France on German reparations--US Ambassador Douglas reports that in the London discussions on Germany the British are taking the position that four-way allocations of German reparations should be resumed and that reparations deliveries to the USSR should be continued on some basis in order to reduce the number of measures distasteful to the Soviet Government. Douglas, with full concurrence of General Clay, has emphasized that the three western powers should make no attempt at present to reconvene the Allied Control Council for this purpose, recommending instead that the western powers undertake allocations on a three-way basis, postponing indefinitely any deliveries of the Soviet share. The French delegate fully supported Douglas' position.

#### EUROPE

5. CZECHOSLOVAKIA: Benes reportedly planning to resign--US Legation Bern has been informed by "a very reliable source" that President Benes has prepared his resignation. Source received his information from the counselor in the president's chancery who reportedly had seen the document, signed but undated. Source believes Benes may announce his resignation near the time of the elections (30 May).

- 2 -

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NEAR EAST-AFRICA

6. PALESTINE: Hagana offensive after 15 May predicted--US Consul General Wasson in Jerusalem reports that Hagana operations will probably remain "defensively offensive" until 15 May, after which Hagana will launch an all-out offensive to secure the frontiers of the new Jewish state and to improve the Jewish lines of communications. Wasson adds that Arab resistance so far has been ineffective and transmits the opinion of the British commander in Palestine that the Jews will be able "to sweep all before them" unless regular Arab armies intervene.

- 3 -

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GENERAL

1. Possible extension of UK mandate in Palestine--The US delegation to the UN has learned from UK representative Beeley that the UK Foreign Office views unfavorably the US proposal for a ten-day extension of the Palestine mandate. Beeley indicated that, aside from the difficulties in amending existing legislation and dealing with British public opinion, the UK contends that: (a) only the 15 May deadline has brought the parties to the "point of even considering a truce"; and (b) an extension of the mandate might be misinterpreted in the light of recent British troop reinforcements in Palestine. According to Beeley, the Foreign Office believes that the Jews are now more intransigent on the subject of a possible truce than the Arabs and there is greater need for pressure on the Jews.

US Ambassador Douglas in London interprets Foreign Minister Bevin's 4 May statement to the House of Commons as indicative of the UK Government's willingness to consider a short term continuation of its responsibilities in Palestine provided that: (a) the UN General Assembly approves the US proposal; (b) an unconditional cease-fire is effected; and (c) a truce is accepted. Douglas is convinced that the UK will not assume a position which would involve the continuation of undivided responsibility.

EUROPE

2. FRANCE: Opposition to Gaullist-Schuman "deal"--US Ambassador Caffery has been informed by a leader of the Radical-Socialist Party that Radical-Socialist circles are cool toward the idea of cooperation between De Gaulle and Schuman. Caffery was told that such a "deal" would cause the Socialists to withdraw their support from Schuman and thus precipitate a serious crisis and the fall of the Schuman Government. The Radical-Socialist leader feels that such a development would be foolish, "in view of the present government's great efforts and its chances of succeeding."

Document No. 030

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Auth: DDA Memo, 4 Apr 77

DDA REG. 77/1763

Date: 14 MAR 1977 By: 028

TOP SECRET

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(CIA Comment: Because the Radical-Socialists are probably the government elements most susceptible to Gaullist influence, their coolness toward Gaullist maneuverings will eliminate a threat to cabinet solidarity during the next few weeks.)

3. GERMANY: Food protest strikes spreading--Acting Political Adviser Chase reports from Berlin that 40,000 Hannover metal and rubber workers have gone out on food strikes, and that the trade unions of transport, chemical, ceramics, paper, agricultural, and public service workers in the British Zone have declared solidarity with the aims of the strikers and are considering whether to call a general strike without a time limit for all of lower Saxony. Chase adds that 25,000 metal workers in Augsburg, Nuremburg, and Munich, who went on strike on 3 May in protest against food cuts, are continuing their strike despite union opposition.

(CIA Comment: CIA believes that strikes protesting against the food situation will continue to spread despite trade union opposition.)

#### NEAR EAST-AFRICA

4. PALESTINE: Difficulties faced by Arabs and Jews--US Consul General Wasson in Jerusalem transmits the opinion of General McMillan (the British commander in Palestine) that the Palestinian Arab forces "are in bad shape and need a breathing space." McMillan believes that the Arabs would accept a truce if they are "handled firmly" and given terms for acceptance without an opportunity for endless discussions. McMillan considers it "not unlikely" that Transjordan troops will move into the Arab areas of Palestine after the mandate ends but believes that King Abdullah will avoid risking his army in battle with the Jews.

The British Colonial Office has informed US Embassy London that, although the Jews have had successes in Palestine, the Jewish Agency is concerned over its limited supply of gasoline

- 2 -

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and the terrific economic burden which the fighting is imposing on the Jewish state. The Colonial Office also reports that the "Nazi-like controls" over all phases of Jewish life are causing resentment among the Jews.

#### FAR EAST

5. CHINA: New Communist offensive in Manchuria --US Consul General Ward in Mukden has been informed by the Nationalist Commander in Manchuria that a general coordinated Communist offensive in Manchuria and China will commence in the near future. The Nationalist Commander estimates that the offensive in Manchuria will move southwestward toward North China with the aim of destroying the Government's remaining railroad communications. The Consul General adds that the Nationalist Commander is now optimistic that the Nationalists can successfully defend either Mukden or Changchun against Communist attack.

(CIA Comment: The impending Communist offensive in Manchuria is expected to be more powerful and broader in scope than previous efforts because newly developed rear area rail support has given the Communists greater mobility and striking power. Nationalist optimism concerning their ability to hold Mukden and Changchun may prove ill-founded if the Communists launch a determined assault on these points.)

- 3 -

~~TOP SECRET~~  
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41

## GENERAL

1. British policy toward Greece may be reviewed--US Embassy London has been informed by a high Foreign Office official that Bevin expects a sharp reaction in Great Britain to the reported executions or intended executions by the Greek Government of 1,000 individuals who participated in the 1944 uprising. Bevin feels the reaction may force a reassessment of British policy toward Greece. (Until late 1947, the UK Government was under severe pressure from within the Labor Party for its retention of troops in Greece in support of a "reactionary" government. The majority of the condemned Greeks were sentenced for murder committed during the 1944 revolt. The cases have gone through all the courts of appeal and guilt has been established beyond doubt. The political implications of the executions, however, are obviously unfortunate for the Greek Government; furthermore, the guerillas can be expected to start a program of retaliatory executions.)
2. Possible branch offices of Cominform--The US Military Attache in Paris has learned from a usually reliable source that a Soviet decision has been made to set up Cominform branch offices in Brussels and Bari (Italy). Source indicates that the branch offices will serve primarily as intelligence agencies. He adds that the Brussels organizational meeting has been set for the end of May.
- (CIA Comment: It is entirely probable that some decentralization of functions, including intelligence, will eventually take place and will be substantially as indicated in the report. Previous information, however, has placed the contemplated Italian branch office in Milan.)
3. Yugoslav ships reportedly alerted for movement to Palestine--The US Naval Attache in Cairo has been informed by a reliable source that all Yugoslav merchant ships have been ordered to return to Yugoslav ports by 15 May, reportedly to transport 031

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- 1 - Class. CHANGED TO: TS S (c)

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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personnel and material to Palestine. (The Yugoslav merchant marine is estimated to consist of 5 passenger ships of 5000 tons or more and 26 smaller ocean going vessels, mostly freighters.)

(CIA Comment: CIA has received no other information concerning plans for such a movement by Yugoslav or other Satellite ships.

3.3(h)(2)

#### EUROPE

4. FRANCE: Communists to give Schuman temporary support--  
The US Military Attache in Paris has learned through a usually reliable informant that Communist leaders have decided for the present to avoid putting the present Schuman Government in difficulty. Communist Party leader Duclos reportedly believes that an understanding now between the Schuman coalition and the Gaullists in the National Assembly would be very harmful to the Communist Party. Duclos maintains that because a Gaullist-dominated government would enact electoral legislation unfavorable to the Communists, care must be taken to avoid a Government crisis until after the Assembly has decided upon methods of elections for the General Councils and the Council of the Republic.

#### NEAR EAST-AFRICA

5. PALESTINE: Arab League views on truce possibilities--The Secretary General of the Arab League has informed US officials in Damascus and Cairo that the Arabs cannot accept any truce terms for Palestine which provide for continued Jewish immigration. The Secretary General indicated, however, that in practice

- 2 -

~~TOP SECRET~~

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the Arabs might tacitly agree to continuation of the present arrangement (under which 1,500 immigrants a month are permitted) provided that: (a) the immigrants represent a cross-section of displaced persons and not only fighting men; and (b) the US and the UK accept responsibility for supervising the immigration.

(CIA Comment: There is still such wide disagreement between Arabs and Jews on the major issue of immigration that the possibility of a truce appears remote.)

- 3 -

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**GENERAL**

1. USSR and Poland may recognize Jewish state--US Ambassador Douglas in London transmits the opinion of the British Foreign Office that the USSR and Poland "will lose no time" in recognizing the Jewish state (to be proclaimed in Palestine on 16 May), and that Soviet and Polish consulates will be established in Tel Aviv shortly after 16 May.

(CIA Comment: Such recognition appears probable unless the General Assembly takes positive action before 16 May to abrogate its partition recommendation of 29 November 1947.)

2. US position on Italy in European defense--The Department of State has informed US representatives in the five countries of the western European union that the US considers the possible inclusion of Italy in the western European defense system to be a question for those countries to decide, although the US feels that Italy's inclusion would be natural and desirable. The Department believes that the increased liability to the Brussels-pact countries which would be consequent to Italy's inclusion would be offset by US support of those countries and by the establishment of a united front to prevent any part of western Europe from being attacked and overrun. The Department is inclined to question the practicability of a separate Mediterranean defense system and doubts that such a system would lessen the problem of Italian military restrictions under the peace treaty.

**EUROPE**

3. FRANCE: Dollar shortage threatens recovery imports--US Embassy Paris reports that the French Ministry of Finance has expressed grave concern over a critical absence either of dollar funds or of any procedure for the interim financing of imports to France under the European recovery program. The Embassy was told that additional dollar resources are in sight

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Date: 14 MAR 1970 By: 028

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for later in May, but they are not immediately available. The Ministry fears that this condition will cause a serious interruption this week of deliveries to France of petroleum products, cotton, and the non-ferrous metals. Ministry officials believe that suspension of these imports can be avoided only by rapid assistance from the US, possibly in the form of a "pump-priming" arrangement by the US Treasury.

- 4. GERMANY: Soviet attempt to interrupt US air traffic--According to Acting US Political Adviser Chase, US officials received Soviet notification on 4 May that no flying would be permitted that night over the greater Berlin area. Chase reports that the US representative, in accordance with his instructions, informed his Soviet colleague that the US did not recognize such unilateral action. Chase adds that US airplanes from the Tempelhof Air-drome carried out a previously scheduled night operation, consisting of a normal training flight over the greater Berlin area.

(CIA Comment: CIA believes the Soviet action is an attempt to probe US reaction to Soviet-imposed regulations on air traffic between Berlin and the west and may be followed by more determined moves to restrict the air traffic of the western powers.)

NEAR EAST-AFRICA

- 5. PALESTINE: Jewish US citizens reportedly forbidden to leave--

[Redacted]

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[Redacted] Jewish US citizens of military age living in Palestine are being prevented from leaving the country, on the ground that their first loyalty is to the Jewish state.

(CIA Comment: [Redacted])

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[Redacted] US citizens are known to have experienced great difficulties in attempting to leave Palestine. Such difficulties, including the use of physical restraint, may be expected to increase.)

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6. IRAN: Receipt of April note from USSR confirmed--US Ambassador Wiley reports that he has now seen the latest Soviet note to Iran, as well as the Iranian reply. (Delivery of the Soviet note to Iran was reported by US representatives on 24 April.) According to Wiley, the latest exchange of views is a reiteration of those expressed in March, when the USSR alleged that the situation in Iran threatened the security of the USSR. Wiley adds that the Soviet attitude is menacing.

- 3 -

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FAR EAST

1. CHINA: Chiang not inclined to institute reforms--US Ambassador Stuart (following a 6 May conversation with Chiang Kai-Shek) expresses the opinion that: (a) Chiang is no longer capable of instilling a new spirit into the Chinese people; or (b) despite an apparent recognition that a program of reform is the Government's only hope of maintaining its hold on the Chinese people, Chiang is not inclined to undertake such a program.

(CIA Comment: CIA concurs with Ambassador Stuart. CIA believes that if any program of reform is to be instituted, it will be put into effect through Vice President Li's efforts, over Chiang's objections.)

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Auth: DDA Memo, 4 Apr 77  
Auth: DDA REG. 77/1763  
Date: 14 MAR 1978 By: 028

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682

## GENERAL

1. Spaak doubts imminence of world conflict--According to US Ambassador Kirk in Brussels, ex-Premier Spaak of Belgium continues to believe that the Soviet Union does not wish to provoke a general war because it realizes the USSR could not in the long run defeat the US. Spaak recommends that a formal statement be issued declaring that US military forces will remain in Germany until a satisfactory state of peace has been restored and that any attack on these troops will be considered an act of war. Spaak believes that such a statement would not only clarify relations with the USSR but would allay anxiety in western Europe over the possible military capabilities and intentions of a restored German political state.
  
2. Swedish views on Scandinavian alliance--According to US Ambassador Matthews, Swedish officials at present feel that Sweden's objective in any future Scandinavian military alliance should be to insure the adherence of Norway and Denmark to the Swedish policy of strict neutrality. Matthews comments that a Nordic alliance at a price of combined neutrality would not be advantageous to the US or the other free western nations and, in his opinion, should be discouraged.  
  
(CIA Comment: It is unlikely that Norway would agree to an alliance which would call for strict neutrality.)
  
3. Danger of Italian dominance in Trieste--US Political Adviser Joyce expresses the view that to give the Italians "practical hegemony" over the Allied Zone in Trieste, prior to the return of Trieste through a revision of the peace treaty, would be to stimulate Yugoslav intransigence. Joyce further believes that because the USSR is apparently disinclined to accept the US-UK recommendation for a treaty revision, the AMG in Trieste will be for the foreseeable future, "facing a bitter, sullen, truculent Yugoslavia." Joyce thinks that the treaty must be strictly observed in order not to provide Yugoslavia with any excuses for "adventures."

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028~~TOP SECRET~~  
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- 1 -

~~TOP SECRET~~  
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NEAR EAST-AFRICA

4. **PALESTINE: Abdullah expected to occupy Arab sections**-- The US Military Attache in Damascus transmits the opinion of the ex-Prime Minister of Transjordan that: (a) King Abdullah's Arab Legion will invade Palestine after 15 May, "practically alone" and without any substantial help from Syria, Lebanon, or Egypt; and (b) owing to difficulties of supply, the Arab Legion is capable of no more than a 30-day campaign. The MA adds that the general impression of informed observers is that Abdullah will in effect implement partition by occupying only the Arab sections of Palestine and "restoring order."
5. **INDIA: Possibility of war with Pakistan**--The US Military Attache in Karachi has received completely reliable information indicating the possibility of imminent armed conflict between India and Pakistan. According to source, Pakistan now has three Regular Army battalions in Kashmir ready to support the Azad Free Kashmir forces if the present positions of the Azad forces are seriously threatened by the Indian Army. The MA indicates that the strategic location of other units would permit the Government of Pakistan immediately to utilize forces against India amounting to one army corps. The MA comments that because of Pakistan's lack of supplies and reserves, India would be the victor in a short though bloody engagement.

(CIA Comment: If Pakistan troops are already in Kashmir (where, unlike Indian troops, they have no legal right to be), the Government of Pakistan has probably decided to resist by force further efforts of the Government of India to establish the authority of Sheikh Abdulla over all of Kashmir. Although a peaceful settlement of the Kashmir dispute is still possible by means of direct negotiations between the two dominions which would result in the partitioning of the State, CIA agrees that a serious possibility of war now exists as a result either of: (a) further successful action by Indian troops against the Azad Kashmir forces; or (b) the Government of India's reaction to Pakistan's illegal occupation of Kashmir territory.)

- 2 -

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FAR EAST

6. KOREA: Anti-US stand of South Korean rightist leaders--  
US Political Adviser Jacobs reports that during an 8 May conversation Kimm Kiusic tried to minimize his 6 May attack on the US Military Government at a press conference. Jacobs is convinced, however, that Kimm opposes US and UN policy in Korea and is "definitely leaning" toward the North Korean regime. Jacobs also believes that the present anti-US attitude of Kimm Kiusic and Kim Koo, as evidenced in their participation in the Pyongyang conference, is motivated by bitterness over their inability to attain political supremacy in South Korea.

(CIA Comment: CIA concurs with Jacobs' estimate as a partial explanation of Kimm Kiusic's actions. In addition, CIA believes that Kimm has been convinced by his failure to obtain a categorical US guarantee of the independence of the future South Korean Government that Soviet domination of all Korea is inevitable as a result of this US "betrayal.")

- 3 -

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## GENERAL

1. Ambassador Smith's comments on Soviet note--US Ambassador Smith in Moscow interprets the 10 May Soviet note in reply to the US note of 4 May as being in effect "our statement in reverse." Smith comments that during an interview with Foreign Minister Molotov, following transmission of the Soviet note, "no proposals or feelers of a more definite nature were made." Smith believes that the Soviet statement means that the USSR has taken note of the US declaration of intent, appreciates the determination of the US to proceed as indicated, and wishes the US to know that the Soviet Union is not going to change its policy for the time being. Smith believes that the Soviet leaders "are not ready to talk yet, but have not closed the door. Just as we have made a statement for the record, so have they."
  
2. Bevin foresees natural "sorting out" in Palestine--US Embassy London reports that Foreign Minister Bevin endorses efforts to secure a Palestine truce and believes the truce proposals to be generally sound. Bevin adds his belief that although King Abdullah's exact intentions are not known, if the Transjordan Legion should move into Palestine at all, it would only occupy legitimate and clearly recognized Arab portions. Bevin expresses the hope that both Arabs and Jews will keep out of each other's areas and thereby prepare for a natural "sorting out of Palestine" and an effective truce, under which the Arabs and Jews might provide separate militias for the maintenance of order and administration.

UK instructs UN delegation on Palestine--The US delegation to the UN has learned that the UK delegation has received the following instructions: (a) the legal basis for the proclamation of a Jewish state should be removed; (b) entry into Palestine of additional war materiel and personnel should be stopped or restricted, particularly from Soviet sources; (c) a legal basis should be provided to permit the establishment of a small group

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 Auth: DDA Memo, 4 Apr 77  
 DDA REG. 77/1763  
 Date: 14 MAR 1978 By: 025

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of states, excluding the USSR, to ensure observance of the foregoing. The UK favors implementation of these objectives through a simple mediatory agency created by a General Assembly resolution, although it does not reject the alternative of trusteeship.

### THE AMERICAS

3. **PANAMA: Post-election tenseness--US Embassy Panama reports that:** (a) three of the Presidential candidates claim a "clear-cut victory" in the 9 May elections; (b) the situation is "tense"; and (c) it is doubtful that the presidential succession will be settled on the basis of the election returns.

(CIA Comment: A sudden overthrow of the Panamanian Government might be precipitated when the results of the elections are known in the next few days. If Arnulfo Arias received more votes than any of the other contestants, and if the Jimenez Administration seeks to deny Arias the presidency, it is likely that Arias and his followers will instigate an early coup. If such a coup is attempted, it may occur between midnight and dawn and will probably be accomplished with extreme rapidity, with a minimum of violence and bloodshed, and without causing serious jeopardy to American property and citizens.)

- 2 -

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GENERAL

- 1. US-Soviet exchange of notes -- US Embassy Moscow reports that the TASS release of the US-Soviet exchange of notes has been effective from the Soviet point of view in relieving public apprehension in the USSR. According to the Embassy, the population apparently feels that the Soviet Government was "strong enough" to make the US ask for the settlement of outstanding differences. The Embassy suggests that this reaction may be typical of world public opinion and that the US should "straighten the record" by the release of appropriate official declarations and background material designed to clarify the reasons prompting the US aide-memoire.

US Ambassador Douglas in London reports that Foreign Secretary Bevin has expressed the view that the US-Soviet exchange of notes will have a demoralizing effect in western Europe, may create difficulties for the present government in France, and will probably raise the Greek issue again in a form difficult to meet. Bevin interprets the "unexpected move" by the US as a softening, if not a reversal, of US policy at an inopportune moment, and he fears that the note may therefore have "an unfortunate effect on the implementation of the Brussels pact."

US Ambassador Caffery reports that French Foreign Minister Bidault expressed surprise upon hearing of the US-Soviet exchange of notes and wishes urgently to know what effect the notes will have on the discussions on Germany and on US conversations concerning the possibility of military cooperation and implementation of the Brussels pact.

Ex-Premier Spaak of Belgium has expressed the view to Caffery that although Molotov's note is not at all satisfactory, its radio publication indicates that the recent US policy of firmness is bearing fruit. Spaak believes that several months ago Molotov would either have replied much more objectionably or not at all. Spaak fears, however, that the democratic powers will now believe that the USSR has changed its methods, and that they can accordingly "take it easy."

Document No. 036

- 1 -

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DDA Memo, 4 Apr 77

DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

~~TOP SECRET~~

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The Department of State has instructed US Embassies Paris and London to inform both Bidault and Bevin that the US note to the USSR was in no way an invitation or a proposal for meetings or discussions and that its only purpose was to set the record straight and to make clear that the US had never closed the door to any direct discussions. The Department adds that this exchange of notes has no bearing on the German talks in London or on US support for the Brussels pact countries.

- 2 -

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CONFIDENTIAL

685

GENERAL

- 1. Further views on US-Soviet exchange--US Embassy Moscow expresses the view that in the US-Soviet exchange of notes the Kremlin's aims included a desire to cover recent Soviet setbacks in the west by implying that the US now desires to appease the USSR. The Embassy further believes that the Kremlin's note has served to reassure pro-Soviet elements at home and abroad and to weaken the growing western resistance to Soviet expansionism. The Embassy suggests the probability of further Soviet moves with similar aims, coupled with increasing pressure on the Middle East.

US Minister Erhardt in Vienna reports that Austrian officials are skeptical concerning the significance of the Soviet reply to the recent US note. The Austrians reportedly feel that although this reply demonstrates that US and western power policies are beginning to take effect, western strength is not yet sufficient to induce the USSR to make really important concessions. The Austrian officials suggest that Soviet action on the Austrian treaty may provide an immediate index as to the sincerity of Soviet conciliatory gestures.

- 2. UK views on Greek situation--Foreign Secretary Bevin has expressed to US Ambassador Douglas in London the conviction that unless the Greek guerrillas are liquidated "during the next six months or so," the Greek situation may become irretrievable. Bevin suggested the following steps: (a) the establishment of an intelligence organization to disseminate persuasive propaganda among the guerrillas and to offer "bribes" to guerrilla leaders to surrender with their followers under a new amnesty; (b) the continued arming of the Greek Home Guard; and (c) the dispatch to Greece of "a few US troops" as a morale-boosting demonstration of US-UK support.

(CIA Comment: Although Bevin's first suggestion might result in the surrender of many guerrillas, CIA believes that non-Communist Greeks would be outraged by any attempt

Document No. 038

NO CHANGE in Class.

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Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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to bribe the guerrillas or even by the suggestion of a new amnesty. Most responsible Greek leaders are now convinced that the guerrilla problem cannot be solved without the active intervention of US or UN troops.)

3. US position on security guarantees--The Department of State has informed US Ambassador Douglas in London of its view that any tripartite agreement on German disarmament and demilitarization would be inadvisable because such an agreement might be construed as vitiating existing quadripartite agreements on the subject. The Department doubts that Germany could, under the Ruhr control agreement, prepare for modern total warfare, but recognizes the depth of French feeling concerning security against German aggression and is prepared to give the French "reasonable satisfaction."

#### NEAR EAST-AFRICA

4. PALESTINE: British hopeful that "blood bath" will be averted--US Ambassador Douglas in London reports "an atmosphere of relief" in the UK Foreign Office over Palestine and a feeling that the situation is less dire on the eve of 15 May than was once feared. According to Douglas, the Foreign Office feels that King Abdullah of Transjordan will halt his advance into Palestine substantially at the frontiers of the Jewish state and that if Abdullah attacks the Jews he will confine himself to token forays. Douglas indicates that Foreign Office officials appear to be in agreement that even though the long-range repercussions of the Palestine situation are incalculable, there is at last hope for a Palestine settlement "without a blood bath involving the entire Middle East."

- 2 -

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**FAR EAST**

5. **KOREA: North Koreans threaten power cut-off--US Economic Adviser Bunce, in summarizing recent developments in the US-USSR dispute regarding North Korean hydroelectric power supplied to the US Zone, reports that in a 10 May radio broadcast the North Korean People's Committee declared that if its request that the issue be settled among the Koreans themselves is not met by 14 May, the Committee "will be forced to cut off definitely the electric supply to South Korea."**

(CIA Comment: CIA does not believe that the USSR will authorize a power cut-off at present. However, if the Kremlin does decide to take this step, it would be for the purpose of producing economic chaos in South Korea and a resulting insurrectionary situation extremely hazardous to continued US occupation. Such action would mark the inception of a campaign to force US withdrawal by every direct means short of military action.)

- 3 -

~~TOP SECRET~~  
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14 May 48  
686

40  
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CONFIDENTIAL

**GENERAL**

1. Possibility of Arab-Jewish truce in Palestine--US Ambassador Douglas has been informed by the Jewish Agency (JA) representative in London that in a recent conversation, Hector McNeill of the UK Foreign Office expressed the view that King Abdullah will occupy only the Arab areas of Palestine and a truce between the Jews and Abdullah is therefore a possibility. The JA representative said that the Jews would welcome Abdullah as a neighbor but the JA would have to "protest loudly" if he invaded Palestine. The representative expressed the opinion that if Abdullah halts his invasion at the Jewish frontier, the Jews ought to begin immediate negotiations with him for a truce.

US Ambassador Tuck reports from Cairo that it is "gradually becoming apparent" that the Arabs would now welcome "almost any face-saving device" which would prevent open war. Tuck expects that, as a result of British pressure, Abdullah's forces will move only as far as the Jewish frontier. Tuck adds that British Minister Clayton is continuing to urge the Arabs to accept partition and to confine their future action to economic and guerrilla warfare.

(CIA Comment: Although CIA agrees that Arab leaders themselves would welcome a "face-saving" device which would avoid the necessity of full-scale warfare against Haganah, Arab-Jewish hostilities will almost certainly increase and continue for some time when the Arab governments--compelled by public opinion--send their armies into Palestine.)

2. Spaak favorable to direct US-Soviet talks--Ex-Prime Minister Spaak of Belgium has expressed to US Ambassador Kirk in Brussels his approval of the recent US approach to the USSR and of Ambassador Smith's "excellent" statement. Spaak feels that Molotov's reply reflects an increased concern by the USSR over the coalescence of anti-Soviet world opinion and may also signify an actual desire for discussions with the US. Spaak suggested that the US should give careful consideration to plans for carrying on such discussions with the Soviet Union. Spaak added that he saw no necessity that these conversations should include the UK and France. Document No. 038

- 1 -

~~TOP SECRET~~  
CONFIDENTIAL

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S (C)

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

Date: 14 MAR 1978 By: 028

~~TOP SECRET~~~~CONFIDENTIAL~~

## EUROPE

3. CZECHOSLOVAKIA: Benes plans resignation in June--US  
Ambassador Steinhardt has been reliably informed that President Benes plans to resign "early in June." According to the chief of the president's chancellery, Benes recently informed Premier Gottwald that he would not approve the new constitution and planned to resign immediately. Gottwald reportedly was able to persuade Benes to delay his resignation until June. Benes doubts that the Communist Government will consent to his departure from Czechoslovakia and is unwilling either to make an issue of it or to depart clandestinely except in case of war.

## FAR EAST

4. CHINA: Plan to reduce power of Chiang Kai-shek--US  
Embassy Nanking has learned from the principal adviser to Vice-President Li Tsung-jen that Li and his followers plan to present within a few weeks a reform program to Chiang Kai-shek. Source adds that unless this program is accepted in its entirety, Li will provoke a political crisis, following which Chiang will be permitted to retain only limited presidential powers and a new cabinet will be named by Li. Source is optimistic that Li's group will be enabled by its overwhelming popular support to obtain its objectives peacefully.

(CIA Comment: Until the preponderance of the military forces in Nationalist China have shifted their support from Chiang Kai-shek to Li Tsung-jen, it is unlikely that Chiang would acquiesce in such a reform program and government reorganization or that Li would risk a political crisis.)

## THE AMERICAS

5. PUERTO RICO: Possible Communist disturbances--The  
secretary to the Governor of Puerto Rico has communicated to the US Department of the Interior his conviction that

- 2 -

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Nationalist and Communist agitators will cause trouble if the Caribbean Commission holds its 24 May conference in San Juan.

(CIA Comment: CIA believes that such disturbances are quite possible. Recent ultra-Nationalist and Communist activities on the part of the students have forced the closing of the University for the remainder of the current term. Furthermore, presence in Puerto Rico of the violent Nationalist leader, Albizu Campos, after ten years incarceration for sedition, encourages anti-US excesses.)

6. CHILE: Concern over Argentine military mission to US-- Foreign Minister Vergara has asked US Ambassador Bowers for US reassurances concerning the visit of an Argentine military mission to Washington and the US attitude toward the mission's purposes. Vergara declared that, if the Argentine mission succeeds in obtaining large amounts of military equipment and arms production facilities, the Chilean Army would demand heavy appropriations to meet the resulting danger, with consequent serious effects on the Chilean economy. Vergara believes that most Latin American countries would be deeply concerned by any such US action in aiding Peron to build up a powerful military machine.

- 3 -

~~TOP SECRET~~

~~CONFIDENTIAL~~

15 MAY 1948

687

~~TOP SECRET~~

## GENERAL

1. Satellite reaction to Smith-Molotov exchange--The US Military Attache in Sofia reports that the Bulgarian public has interpreted the Smith-Molotov exchange as a US ultimatum to the USSR to cease interfering in such countries as Bulgaria, and as the first indication of definite action by the US to liberate eastern Europe. The MA adds that failure of the US action to produce definite relief from Communist oppression in Bulgaria will result in almost complete disillusionment concerning US world influence. US Minister Heath in Budapest also reports that the US-Soviet exchange has added to a feeling of optimism which has been growing in Hungary since the Italian elections. According to Heath, many Hungarians now feel that Hungary's political life may be substantially changed even if there is no war, and that the Soviet tide will now begin to recede.

## EUROPE

2. TRIESTE: Separate ERP status urged for US-UK Zone--General Airey, US-UK Commander in Trieste, recommends that the US-UK Zone be granted individual membership in the European recovery program instead of receiving aid as "a part of Italy." General Airey points out that failure to grant the Zone individual membership (a) might result in AMG being forced to take part in a form of economic warfare with Yugoslavia which would result in increased political tension; (b) would make it impossible for AMG to maintain the existing political balance in the US-UK Zone; and (c) would retard economic development in Trieste and severely limit Trieste's contribution to western European recovery.

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Class. CHANGED TO: TS S (C)

Auth: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

- 1 -

~~TOP SECRET~~

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3. **AUSTRIA: USSR reduces travel restrictions**--According to US Commanding General Keyes, the Soviet deputy commissioner has told a US official in Vienna that there is no longer reason to continue the present prohibitions on US travel through the Soviet Zone. Concerning the Soviet official's indication that the Soviet repatriation mission has been well pleased with its treatment in the US Zone, Keyes points out that the Soviet travel restrictions had been imposed as alleged reprisals for discourtesies to a previous Soviet mission.

(CIA Comment: Within the past two weeks, the Soviet attitude toward the US in Austria has been increasingly conciliatory. The readmission of the Soviet repatriation mission has afforded the USSR an opportunity, without losing face, to discontinue the remaining restrictions on US travel through the Soviet Zone.)

**US favors week's suspension of treaty talks**--The Department of State has advised the US representative at the Austrian treaty talks in London that while the US can consider no concessions on the issues of frontier revisions and reparations, the US wishes (a) to avoid "closing the door" on future treaty discussions; and (b) to be in a position to resume negotiations if circumstances make early conclusion of a treaty desirable. The Department suggests that negotiations be suspended for a week to permit the Soviet delegates to obtain instructions from Moscow; if the USSR then makes no acceptable proposals, the US delegation might consult with the British and French on the advisability of adjourning the talks for a definite period of perhaps four months.

#### FAR EAST

4. **CHINA: Possible elimination of Chiang Kai-shek**--US Embassy Nanking reports that Chiang Kai-shek's recent military appointments and prospective Cabinet reshuffling indicate that he is incapable of comprehending recent developments in China or of adapting himself to them. The Embassy believes that the

- 2 -

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reform movement, centering around the new vice president Li Tsung-jen, has reached such proportions that "it can no longer be denied." The Embassy also considers that (a) Chiang Kai-shek, because of his inflexibility and blindness, will be removed from the political scene by those forces he is seeking to smother; and (b) "the sooner this happens, then the greater will be the prospects that the reform forces can rally the country to check the Communist tide."

(CIA Comment: While the fall of Chiang Kai-shek may not be imminent, CIA concurs in the Embassy's opinion that the pressures for his removal are steadily gathering strength. However, Chiang's departure from the political scene would likely be accompanied at first by further disintegration in Nationalist China; under these conditions, the Chinese Communists would gain some initial advantages.)

#### THE AMERICAS

5. VENEZUELA: Reported plans for oil-field sabotage--US Consulate Aruba reports that the Governor of the Dutch islands of Aruba and Curacao has received "reliable information" of plans to sabotage the Lake Maracaibo oil fields in Venezuela on 15 May and to sink a ship in the Lake's outlet channel to the Caribbean. (During the last month, US and Venezuelan authorities and the local oil companies have received several reports of intended sabotage. Both production facilities in Venezuela and refining facilities in the neighboring Dutch islands of Aruba and Curacao are highly vulnerable to sabotage; one ship sunk in the Maracaibo channel would effectively cut off a large proportion of the crude oil going to the refineries on the islands.)

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## GENERAL

1. Arab reaction to US recognition of Jewish state--US Minister Childs in Jidda reports that the Saudi Arabians are "profoundly shocked" by the announcement of US recognition of the new Jewish state. Childs considers it possible that Saudi Arabia may sever relations with the US and that it may be necessary to evacuate the several thousand Americans living in Saudi Arabia. (Reports from other Arab countries indicate apprehension on the part of US representatives over the possibility of anti-US demonstrations and pogroms against the Jews.)

## FAR EAST

2. KOREA: Soviet motives in cutting power to US Zone--US Economic Adviser Bunce believes that Soviet motives in cutting off the electric power to South Korea were almost entirely political. Bunce interprets this action as an attempt to: (a) impede preparations for the establishment of the new government in South Korea; (b) support the propaganda theme that Korean problems can best be settled by Koreans; (c) force de facto recognition by the US of the North Korean People's Committee; and (d) assist Communist agitators in South Korea by forcing factory shut-downs and curtailment of normal services. Bunce declares that the Soviet action will not force the US to negotiate an agreement, because the South Korean electric power potential has already been increased to 60% of capacity prior to 14 May and can be boosted to 80 or 90% during the July-August rains. Bunce suggests that if General Hodge is unsuccessful in settling the power issue with his Soviet colleague, it may be desirable to try to reach a settlement on "the Washington-Moscow level."

(CIA Comment: CIA concurs with Bunce's estimate of Soviet intentions.)

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DDA Memo, 4 Apr 77

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Auth: DDA REG. 77/1763

Date: 14 MAR 1978By: 028

~~CONFIDENTIAL~~  
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GENERAL

1. British policy toward Jewish state--US Embassy London has learned informally from a high official of the British Foreign Office that the UK has no intention of according recognition at this time to the Jewish state. The Embassy infers that the British position is based principally on the idea that recognition now of any particular frontier for the Jewish state will decrease the chances of an Arab-Jewish compromise at some future date. The Foreign Office apparently believes that when both sides tire of the "profitless conflict," the Arabs and Jews may reach an agreement on a frontier somewhat different from one which had been drawn up artificially. Concerning the shipments of arms to the Middle East, the official expressed the view that if the US lifts its embargo the UK will be subjected to "intolerable" Arab pressure to modify the present limitations on British arms shipments.

Document No. 049  
 NO CHANGE in Class.   
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 Class. CHANGED TO: TS S  
 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 14 MAR 1978 By: 028

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## GENERAL

1. Arab League reportedly considering oil sanctions against US--  
US Embassy Cairo has been informed by an attache of the Arab League that the matter of applying sanctions against US oil interests in the Middle East is now a major item on the Arab League agenda. The attache expressed the opinion that sanctions will not be applied unless the US takes further steps to assist the Jews and serious reversals are suffered by the Arab armies. In such an eventuality, the attache anticipates that Arab leaders will have no choice but "to use oil as a weapon to assist the Arab cause."
  
2. US cease-fire proposal for Palestine lacks support--The US delegation to the UN has learned that the US cease-fire proposal for Palestine would not have obtained the seven Security Council votes necessary for its approval if it had been brought to a vote on 18 May. The delegation gathers that Belgium, Canada, China, Syria, the UK, and possibly Argentina would have either voted against the US resolution or abstained.
  
3. Adjournment of Austrian treaty negotiations postponed--UK Foreign Minister Bevin has asked US Ambassador Douglas that no move be made at this time to suspend the Austrian treaty talks in London. Bevin explained that in a 20 May speech he plans to dwell at length on Soviet delaying tactics in Austria and to indicate at the same time that the machinery still exists for a prompt settlement. In view of Bevin's request, Douglas will await further instructions before making any proposal for adjournment of the treaty discussions.

The US delegation to the Austrian treaty discussions reports, however, that because there is no indication that the Soviet delegate has received new instructions which would make possible the resumption of negotiations, the US, the UK, and French deputies agree that continuation of the talks would be futile.

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Auth: DDA Memo, 4 Apr 77  
DDA REG. 77/1763Date: 14 MAR 1978 By: 023~~TOP SECRET~~~~CONFIDENTIAL~~

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40  
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691

## GENERAL

1. Plans for provisional German government continued--The Department of State has informed US Ambassador Douglas of its view that plans for the establishment of a provisional government in western Germany should not be delayed, despite the recently expressed French view that delay might be desirable in view of the apparent softening of Soviet policy. The US does not believe that the "apparent softening" of Soviet policy means that the USSR will cooperate in the forming of a German policy essential to the needs of western Europe. The Department considers that delay on this question would be construed by the USSR as evidence of weakness and would have an unfortunate effect on German morale.
  
2. US desires no further delay in adjourning treaty talks--The Department of State has advised the US delegation at the Austrian treaty negotiations in London that if the USSR does not indicate within the next few days its readiness to accept Austria's 1937 frontiers and to abandon claims for reparations, the negotiations should be adjourned.

## EUROPE

3. USSR: Conference of Soviet-Satellite political police planned--US Ambassador Caffery in Paris has been told by a "trustworthy informant" that an important conference of political police, including Soviet and Satellite representatives, will be held in Warsaw next July. The agenda reportedly includes discussion on: frontier controls aimed at preventing the re-entrance of political refugees; measures for the penetration of refugee organizations; and uniform surveillance of the officials of all governments who have signed the Brussels Treaty.

Document No. 043NO CHANGE in Class.  DECLASSIFIED

Class. CHANGED TO: TS S (C)

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 824~~CONFIDENTIAL~~  
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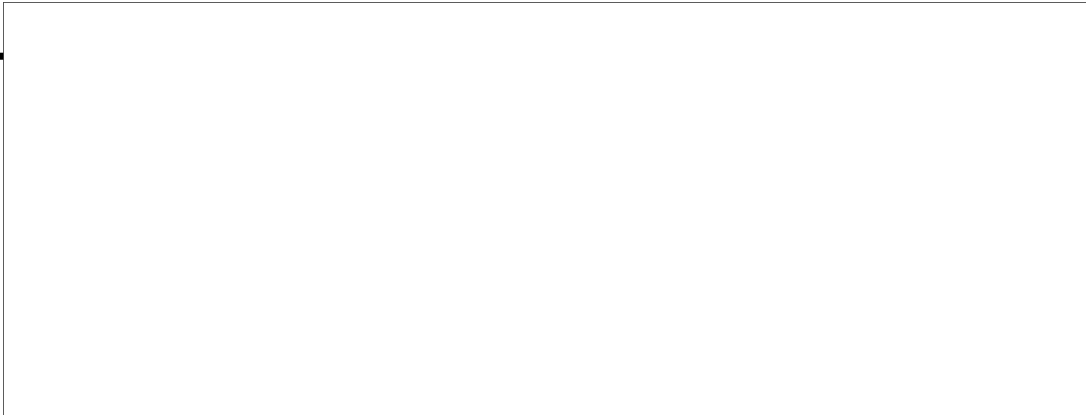
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(CIA Comment: While no confirmation of the above report is as yet available, CIA believes that such a conference may be planned in order to strengthen the security of the Soviet orbit.)

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Israel considered to need outside support--US Consul General Wasson in Jerusalem expresses the opinion that although the Jews have a better than even chance of maintaining military control over a large portion of the area allotted to the Jews by the UN partition plan, the Jewish state will be unable to survive long in the midst of hostile Arab states without "generous and immediate" support from abroad. Wasson adds that a favorable atmosphere for the growth of Israel may be created by the continuance of moral and material support from the outside and the adoption of a "reasonable" Zionist policy toward the Arabs (particularly Abdullah).

- 2 -

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## GENERAL

1. UK opposes outside aid to Palestine belligerents--According to US Ambassador Douglas, the UK Foreign Office believes that Arab and Jewish forces are so evenly matched in Palestine that a stalemate is in prospect. The British therefore feel that the "surest way" to prolong the Palestine fighting is for an outside power to disturb the balance by supplying arms and equipment to one side. Douglas adds that British officials hold these views so strongly that the Government is likely to counterbalance the dispatch of material aid to one side with comparable aid to the other side.
  
2. Austrian treaty talks to be suspended--The US delegation to the Austrian treaty discussions reports that delegates of the US, the UK, and France have agreed upon a formula for a suspension of these discussions without formal adjournment. Both the UK and France prefer to leave the door open for resumption of negotiations at a later date if the USSR shows itself willing to give satisfactory assurances concerning the Austrian frontiers and reparations issues.
  
3. French bread ration to be increased--The Department of State has informed US Embassy Paris that the US is prepared to send an advance shipment of three cargoes of wheat within the first ten days of July to enable the French to increase the bread ration to 250 grams on 1 June. The Department considers that an increase in rations so soon after US enactment of European recovery legislation will be excellent evidence of effective international cooperation.

(CIA Comment: An early announcement by Premier Schuman of the new ration, coming at a time of seasonal food scarcity, will result in a considerable increase of public confidence in the Government.)

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 Auth: DDA, Memo, 4 Apr 77  
 DDA REG. 77/1785  
 Date: 14 MAR 1978 By: 828

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**EUROPE**

4. **USSR: Soviet propaganda assumes defensive tone--US Embassy Moscow believes that the "hurried and petulant tone" of the latest TASS communique on the Smith-Molotov exchange is a "tribute to the firm stand" of the Department of State and "the quick adept handling of the Stalin letter." The Embassy thinks that Soviet silence on Secretary Marshall's remarks and the Department's "pointed analysis" of the issues involved in the exchange are likely to raise some question in the minds of the more intelligent Soviet citizens. The Embassy further believes that US willingness to fight back may have brought to an end the high level portion of the Soviet propaganda campaign following the Smith-Molotov conversations.**

- 2 -

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GENERAL

1. US protests proposed Egyptian action on shipping--The Department of State has instructed US Embassy Cairo to deliver a note to the Egyptian Government protesting Egypt's proposed action with respect to shipping approaching the Palestine coast, as outlined in a 17 May memorandum. The memorandum stated that merchantmen or transports "would be exposed to the measures" that the Egyptian Government is "obliged to take in order to insure the security of its troops in Palestine." The US note declares that the Egyptian Government is attempting to prohibit the freedom of navigation in the Mediterranean and to extend its control to waters beyond the jurisdiction of Egypt.

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NO CHANGE in Class.

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Class. CHANGED TO: TS S (C)

Auth: DDA Memo, 4 Apr 77

DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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GENERAL

1. US-UK relations believed deteriorating over Palestine--US Ambassador Douglas in London believes that "the worst shock" to US-UK collaboration during the past year was the sudden US recognition of Israel without previous notice to the UK. Douglas adds that if the US raises the arms embargo to favor the Jews "it will be only a short step" until the UK may lift its restrictions on arms to the Arabs, thus placing "the two great democratic partners" indirectly on opposite sides of a battle line. Douglas is convinced that the US-UK rift over Palestine can not be confined to Palestine and the Middle East.

In an interview on 22 May, Foreign Secretary Bevin told Douglas that: (a) if the US lifts the arms embargo, it will be impossible for the UK to resist Arab pressure for arms; (b) if the UN declares the Palestine situation to be "a breach of the peace," Bevin believes it probable that the USSR will ultimately interfere in Palestine and the Middle East; and (c) Bevin is personally prepared to examine the position from a "fresh vantage point." Douglas feels that the US should try to relax the pressure on the UK Government by meeting Bevin's suggestions that the US support the substance of the British resolution on Palestine in the UN, retain the arms embargo, and refrain from taking other action until there has been opportunity to make a joint appraisal of the respective US and UK positions.

2. France seeks tripartite conference--French Foreign Minister Bidault has presented to US Ambassador Caffery in Paris a note which urgently recommends direct consultation by the US, the UK, and France. In connection with the recent Smith-Molotov conversations, the note expresses the view that, although an eventual lessening of tension between the USSR and the western world is desirable, it is of primary importance to maintain a unity of policy and action by the US, the UK, and France. This unity, the French maintain, should be based upon: (a) close association of the three powers in discussions and

Document No. 046

NO CHANGE in Class.  DECLASSIFIED

Class. CHANGED TO: TS S (C)

Auth: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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decisions in preference to separate negotiations; (b) an unchanged policy of opposition to Soviet attempts to dominate Europe; (c) continued rehabilitation of western Europe; (d) continued organization of the defense of the western world, with US assistance; and (e) an avoidance of any appearance of giving provocation to the USSR.

3. US delegates oppose French view on western Germany--  
US Ambassador Douglas reports that the US delegation to the London tripartite conference on western Germany unanimously believes that although the French opposition to the establishment of a western German government may be inspired by real apprehension of Soviet reaction, French leaders are using the occasion as an opportunity to bargain for armament from the US and to obtain other concessions. Douglas recommends that if the French persist in their attitude the US should persuade the UK to establish jointly a provisional German government in the US-UK zone as scheduled, and to reserve action on the Ruhr and French security guarantees pending clarification of the French position. Douglas also recommends that attempts be made in Washington and Paris to persuade the French to agree to the time schedule. Douglas suggests further that if the UK is not prepared to proceed without the French, the present talks be recessed until the situation can be reappraised.

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**GENERAL**

1. Status of discussions on Germany--The Department of State has informed US Ambassador Douglas that the Department considers it essential to proceed with the completion of the projected agreement on Germany, including adherence to the time schedule for the formation of a provisional German government. The Department therefore instructs Douglas to ascertain British willingness to proceed, without the French if necessary, with the establishment of a provisional government for the bizonal area. Douglas is to continue to impress upon the French that any defection on their part is likely to provoke a strong US congressional reaction and that any rift among the western powers will be exploited by the USSR to the detriment of the US-UK position in Berlin. 15

Ambassador Douglas reports that in discussions in London on 24 May, the French delegate indicated that the Ruhr paper was satisfactory, that discussions on security were proceeding satisfactorily, and that if the question of German elections could be settled, the only real issue is the timing. Douglas says the French profess to believe that the Soviet reaction to the US program for Germany will be to make an effort to force the western powers out of Berlin. Douglas made it clear to the French delegate that if the USSR should use force for this purpose, the US would reply with force. 15

US Ambassador Caffery in Paris transmits a report that French Foreign Minister Bidault is in a "panic" because of the unfriendly reaction of the French non-Communist press to the London talks and is especially concerned over the Socialist attitude. Caffery remarks that Bidault seems to fear he has gone too far in meeting the US-UK position and is trying to find a way to crawl out. 5

UK Foreign Secretary Bevin has told Ambassador Douglas of his plans to send Bidault a personal note saying that Bevin hopes the French will not place him in a position requiring him to proceed with the US alone in the bizonal area. Bevin informed Douglas that the UK would not agree to Bidault's proposal of a US-UK-French meeting on the ministerial level at this time and that the present discussions in London should be pushed to a successful conclusion. 15

Document No. 0461

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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2. Reactions of diplomats in Moscow to US recognition of Israel--  
 US Embassy Moscow reports that most western European diplomats in Moscow have expressed disappointment and disapproval of the "reversal of US policy" represented by US recognition of Israel. According to the Embassy, these diplomats feel that the inconclusive outcome of the special meeting of the General Assembly resulted from a failure in US leadership and constitutes a major diplomatic defeat for the US. The Embassy indicates that the Scandinavian representatives, in particular, have interpreted US action with regard to Palestine as indicative of the "undependable" and "irresolute" character of US policy, capable of similar "shifts" in commitments to western Europe and Scandinavia. The Embassy adds that most of the western representatives are convinced that Communist infiltration of the government and armed forces of Israel is already well advanced and that eventual Communist control of the Jewish state is inevitable.
3. De Gaulle demands French general for western defense system--  
 A French Cabinet minister has informed US Ambassador Caffery that De Gaulle is threatening Premier Schuman with a bitter attack upon the Government if a British general, such as Montgomery, is selected as over-all commander of the ground forces in the western European defense system. According to Caffery's informant, De Gaulle believes that a French general, preferably General Juin, should command the combined ground forces because of the key strategic position of France on the continent. De Gaulle is reportedly willing that a UK leader should have top command of the naval and air forces.

## NEAR EAST-AFRICA

4. LEBANON: Conditional release of US internees offered--US  
 Minister Pinkerton has been informed by the Lebanese Foreign Minister that the Lebanese Government is prepared to release the forty US citizens interned from the MARINE CARP provided arrangements can be made for their direct repatriation to the US. The Foreign Minister told Pinkerton that the internees could not be released if they intend to go to Palestine to join the Jewish forces, "which are making constant commando raids into Lebanon." Pinkerton reports that the internees will be asked whether they are prepared to accept this arrangement.

- 2 -

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FAR EAST

5. CHINA: Major political crisis in Kuomintang--US Embassy Nanking comments that the recent struggle within the Kuomintang over the forming of a new cabinet appears to be a major rebellion against the leadership of Chiang Kai-shek. The Embassy says that the naming of Wong Wen-hao to the premier-ship (following unsuccessful attempts by Chiang to appoint a more prominent individual) signifies that no basic solution has been found for the crisis within the Party. The Embassy further comments that because the present intra-party rebellion has occurred within the inner circle on which Chiang has for years based his strength, it is undoubtedly a more serious revolt than the one Chiang faced in the election of Li Tsung-jen to the vice presidency.

6. INDONESIA: Dutch "police action" considered probable--The US Naval Liaison Officer in Batavia reports that tension is increasing between the Dutch and Indonesians and considers that Dutch resumption of "police action" in the near future is much more probable than the reaching of any political agreement. The Naval Liaison Officer comments that the Dutch believe they can now safely put a stop to this "nonsense" because world attention is centered on Palestine.

(CIA Comment: CIA concurs with this estimate. In recent negotiations the Dutch have redoubled their efforts to by-pass the Indonesian Republic, thereby creating the impression in Republican territory that Dutch "police action" is a definite possibility and leading to preparations for guerrilla warfare. The Dutch have consistently underestimated the economic, political, and physical risks of extended operations against the Republic.)

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**GENERAL**

- 1. French may postpone agreement on Germany--The French delegate to the London talks on Germany has informed US Ambassador Douglas that the French Government considers it necessary to postpone final agreement on the projected program for western Germany until the subject can be debated in the French Assembly. Douglas regards this plan as exceedingly dangerous, in view of the capital which French Communists could make of such a discussion.

US Ambassador Caffery in Paris reports that French Foreign Minister Bidault insists that France does not want to break off the discussions on Germany and wishes to go along with the US. Bidault remarked, however, that there was deep concern in France lest the USSR take aggressive action in Berlin and possibly overrun France itself.

The Department of State has instructed Ambassador Caffery to express to Bidault the earnest hope that the French Government will be able to approve the program for western Germany now being formulated in London. Caffery is instructed to state that the US does not favor a high-level meeting of the US, the UK, and France at this time but does intend--in accordance with the pending resolution of the US Senate and President Truman's recent declaration--to strengthen the ability of the free nations of Europe to resist aggression to an extent equal to their will to defend themselves.

(CIA Comment: The French delegate's suggestion and Bidault's reiteration of French fears apparently represent another attempt to persuade the US to give France military guarantees sufficiently strong to avert public criticism of the Government's concessions on the issue of French security.)

**EUROPE**

- 2. AUSTRIA: Treaty problems may be submitted to UN--The Austrian Minister to London has told the US representative at the Austrian treaty talks that the Austrian Government is

Document No. 048

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Class. CHANGED TO: TS S (C)

Auth: DDA Memo, 4 Apr 77

DDA REG. 77/1763

Date: 14 MAR 1978 By: 628

- 1 -

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studying the possibility of placing the treaty problem before the autumn session of the UN and wishes to know the US and UK views on this question. The US representative "understands" that the UK is reluctant to commit itself at this time. He adds that the Austrian Government is preparing concrete proposals for changes in the occupation regime and plans to discuss them with the three western powers.

(CIA Comment: The greatest benefit Austria could probably receive from requesting UN action would derive from its propaganda value. However, following such action, the USSR might suggest the withdrawal of all occupation forces before a treaty had been concluded, and this withdrawal could deprive Austria of military safeguards now provided by the presence of the western occupation troops.)

#### NEAR EAST-AFRICA

3. SAUDI ARABIA: Ibn Saud firm against partition--US Minister Childs believes that Ibn Saud will now throw the full weight of his influence and strength against the partition of Palestine, despite the great moderation he has exhibited in the past. Childs thinks that the King is prepared to commit Saudi Arabia to any measure which the Arab League agrees will best further the Arab cause.

- 2 -  
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697

## GENERAL

1. US representatives in Middle East oppose raising embargo--  
US representatives in Cairo, Beirut, Damascus, and Jerusalem unanimously agree that lifting of the US arms embargo would irreparably damage US interests in the Middle East and would also endanger the lives of US citizens and Jewish nationals in the Arab countries. Memminger in Damascus and Burdett in Jerusalem feel that the Arabs would consider the US action tantamount to a declaration of war. Tuck in Cairo expresses the opinion that lifting of the embargo would prolong the hostilities in Palestine and increase the possibilities of anti-Christian and anti-Jewish violence throughout Islam. Pinkerton in Beirut believes that the Lebanese would regard raising the embargo as deliberate encouragement to both Jews and Arabs to do everything possible to increase their destructive powers.
  
2. UK view of the strategic position of the Middle East--Top  
British Cabinet officials have outlined to US Ambassador Douglas present British thinking concerning strategic questions in the Middle East. The British consider that Palestine is strategically not a problem of Arab-Jewish opposition but one of geography, "since Palestine is part of the Middle East bridge between not only the east and west but also between Asia and Africa." The British leaders maintain that the Middle East is vital to the defense of the US, the UK, and western Europe against the USSR. According to Douglas, the British believe that the Moslem ideology is capable of being "worked up along anti-western lines" because of Palestine and that such a development would bring about an "almost insuperable" military problem. The British consider the military criteria for a Palestine solution to be that Palestine must not be opened to Soviet influence and Moslem good will toward the US and the UK must not be alienated.

Document No. 049NO CHANGE in Class.  DECLASSIFIED

- 1 -

Class. CHANGED TO: TS S **C**

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028~~CONFIDENTIAL~~  
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3. UK estimate of Arab political stability--The Permanent Under Secretary of the UK Foreign Office has informed US Ambassador Douglas of the British estimate, in connection with the Palestine question, of the stability of Middle East Governments. The British view is that with the exception of Saudi Arabia, the "chances are" that all the governments would very easily collapse if discredited and humiliated in the eyes of their people and of Moslem public opinion, generally. These governmental collapses, in the judgment of the British, would be followed by the emergence of the Communist Party as the one "strong and coherent" force, or more probably, by a series of local dictators carried to power on a wave of anti-British and anti-US fanaticism. In the latter event it is thought that the final result would be a series of "Czechoslovakia" coups carried out by the Communists.

(CIA Comment: CIA concurs in this British estimate.)

4. French to continue in talks on Germany--US Ambassador Caffery in Paris reports that the French Government has instructed its delegate to the London talks on Germany to "go ahead with the German program," with the understanding that Foreign Minister Bidault will have to submit the matter to debate in the French Assembly before final French acceptance can be given. Bidault is reportedly convinced that failure to do this would result in the fall of the Schuman Government. US Ambassador Douglas reports from London that the French delegate to the talks believes that the assembly debate could take place about one week after conclusion of the work in London and could be ended in one day. The French representative believes that the debate could be limited to the terms of a communique announcing the London decisions, if the communique were sufficiently full and informative.

The Department of State has informed Ambassador Douglas that the US is agreeable to consultations on the consequences of the US-UK-French action on Germany, as requested by the French on 24 May, and had considered that this was sufficiently implicit in the maintenance of a joint front on the German question.

- 2 -

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(CIA Comment: In view of the relative firmness of the French stand and the number of concessions already obtained, it is likely that if the assembly debate is conducted along the lines indicated, the assembly will uphold Bidault's conduct of foreign policy.)

#### NEAR EAST-AFRICA

5. **PAKISTAN: Clash of regular troops in Kashmir feared--**The British Commander in Chief of the Pakistan Army has expressed to the US Military Attache in Karachi the opinion that advancing Indian troops in Kashmir may soon clash with Pakistan Army units there, thus precipitating open war between the two dominions. The MA comments that many persons in Karachi, believing that a clash between the two armies is bound to occur, would prefer it to take place before the Indian Army completely overruns Kashmir. The MA feels it to be "vitally necessary" that the UN Kashmir commission arrive promptly.

#### FAR EAST

6. **CHINA: Embassy urges evacuation Peiping-Tientsin area --** US Embassy Nanking reports a rapid deterioration of the Nationalist military situation in the Jehol-Hopeh area of North China. The Embassy therefore requests that it be given authorization as soon as possible to warn Americans in the Peiping-Tientsin area to consider seriously evacuation, unless they are prepared to live under Communist occupation or to be completely isolated in those cities.

- 3 -

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## GENERAL

1. US policy on Palestine--The Department of State, with the approval of President Truman, has instructed the US delegation to the UN that: (a) the US will continue to urge the Security Council to issue a cease-fire order under the UN Charter; (b) if such an order is not complied with, following its issuance, the US will adjust its embargo policy to support any action taken by the SC; (c) the US will support SC action banning all shipments of arms and military assistance to any party to the hostilities so long as all participants comply with the cease-fire order; (d) the US will retain its present arms embargo if the SC succeeds in effecting a cease-fire and places an embargo upon all parties to the hostilities; and (e) if the UN is unable to accomplish either of these two moves, the US will resume its freedom of action respecting arms shipments.
  
2. Bidault to discuss London talks with French Assembly--US Ambassador Caffery reports from Paris that Foreign Minister Bidault plans to discuss with leaders of the French Assembly the results of the London talks before submitting the London recommendations to debate in the Assembly. Caffery believes that there is no possible way for the French Government to escape this debate. Caffery also reports that Bidault is now willing to accept the US position that there should be no US-UK-French ministerial meeting at this time.

## EUROPE

3. USSR: Kremlin reported making overtures to Arab governments--The US Military Attache in Cairo conveys a report from a fairly reliable source to the effect that the USSR has offered to supply Egypt with military assistance and to use the 30 million Soviet Moslems to promote King Farouk's candidacy for the Caliphate of Islam. The report suggests that in return, Farouk is to persuade Ibn Saud to accept Soviet technical and military aid so

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Class. CHANGED TO: TS S C

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

Date: 14 MAR 1978 By: 026

- 1 -

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~~TOP SECRET~~

that the Saudi Arabian oilfields can be operated independently of the US. The source indicated that the USSR had also made an offer to Iraq.

(CIA Comment: It is probable that the USSR will exploit Arab antagonism toward the US by seeking deals with the Arab governments. CIA believes, however, that the USSR is more likely to increase its influence in the Near East through Communist exploitation of the social disorders throughout the Arab world which would follow any significant Arab reverses in Palestine.)

4. YUGOSLAVIA: Implications of Communist Party Congress-- US Ambassador Cannon reports that the Yugoslav Communist Party, contrary to its former policy of secrecy concerning Party activities, has publicly announced the agenda of the Party Congress to be held on 21 July. Cannon believes that this action implies that: (a) some Party adherents are losing confidence in the ability of the regime to advance world communism; and (b) intra-party conflict and diversionism have reached greater proportions than previously estimated. Cannon also thinks that the current Party purge may be intensified prior to the congress in order to unify the Party's leadership firmly under Tito's control. In view of the regime's preoccupation with these internal difficulties, Cannon considers it unlikely that Tito will be in a position to risk any external adventures until after the congress.

- 2 -

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## GENERAL

1. UK presses Sweden on neutrality issue--US Ambassador Matthews in Stockholm has learned through the British Ambassador of a UK Foreign Office "warning" to Sweden that if the Swedes persist in following their present neutrality policy the British "might have to reconsider their policy" vis-a-vis Sweden. According to the British Ambassador, the UK Foreign Office rejected Swedish arguments for neutrality by stating that: (a) no part of Europe could escape participation in a future war; (b) Scandinavia would not be merely a "subsidiary theater of war;" (c) the Swedish conclusion is "premature" that help would not reach Scandinavia in time to be effective; and (d) prior strategic preparations are emphatically important.
  
2. British view of Italy's strategic position--According to US Embassy London, the British armed services chiefs consider that the strategic advantages resulting from Italy's adherence to the Brussels Pact would outweigh the disadvantages. The British believe that although Italy would be a military liability, the availability of Italian bases to the western European union powers and their denial to a potential enemy are of "prime importance."
  
3. US position regarding US-UK cooperation on Palestine--The Department of State has informed US Ambassador Douglas, in response to his recent reports concerning Bevin's hopes for increasing US-UK collaboration on the Palestine question, that the US is fully aware of the need to work with and not against the UK, although the mutual task would have been easier if the British had not been "extremely laggard in dealing with a crisis largely of their own making." Douglas is authorized to tell Bevin that the US will not lift the arms embargo except in conjunction with Security Council "action or inaction." The Department indicates that the US is prepared: (a) to support the UK cease-fire resolution with certain modifications, after having first voted affirmatively on the USSR resolution

Document No. 051NO CHANGE in Class. 

- 1 -

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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because of its close similarity to the US resolution of 17 May; and (b) to suggest officially to the Provisional Government of Israel the wisdom of accepting a new cease-fire resolution at this time.

4. Spaak fears possible Communist bridgehead in Middle East-- Premier Spaak of Belgium has expressed to US Ambassador Kirk his serious concern over the Palestine situation. Spaak feels certain that Jews going to Palestine from eastern Europe must include a large percentage of Communist agents. He voiced his anxiety that a Communist bridgehead may be established in the eastern Mediterranean.

#### NEAR EAST-AFRICA

5. PAKISTAN: Mounting antagonism against US Palestine policy-- US Ambassador Alling in Karachi has learned of plans for a mass demonstration to be held before the US Embassy in condemnation of US policy in Palestine. Alling reports that feeling against the US is running high and several incidents against US personnel have occurred.

#### FAR EAST

6. BURMA: Communistic program announced-- US Ambassador Huddle in Rangoon reports that Prime Minister Thakin Nu, in a final bid for national unity preceding his retirement on 20 July, has announced a one-party "leftist unity" program which is frankly Communistic. Huddle declares that the program offers substantial proof that Communism has prevailed in Burma. Huddle believes, however, that Thakin Nu has overlooked the inevitability that any state receiving Kremlin blessing must subordinate itself to Moscow and that the realization of this should shock Burmans who at present have real independence.

- 2 -

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(CIA Comment: CIA concurs with this estimate and believes that if the Prime Minister's program should become governmental policy, which is probable, the likelihood of similar developments in French Indochina, Indonesia, and other Southeast Asia countries will be greatly increased.)

- 3 -

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GENERAL

1. Possible military observers in Palestine--The Department of State is informing UN Mediator Count Bernadotte that the US is actively considering his suggestion that military observers supervise the observance of the 29 May UN cease-fire resolution following its acceptance by the belligerents. Bernadotte is being advised that although no final decision has been reached, the Department believes that the UN Balkan Commission and the Indonesian Good Offices Committee furnish precedents for such an arrangement and that any military observers sent should be recruited from the three members of the Truce Commission (the US, Belgium, and France).
  
2. US and UK to proceed on German program--US Ambassador Douglas reports that the US and UK representatives to the London talks on Germany have informed the French representative that if the French Government, either because of the debate in the French Assembly or for any other reason, finds the scheduled program for Germany unacceptable, the US and UK will nevertheless have to proceed promptly with the program in the bizonal area. The US representatives recommend that before the French Assembly begins its debate, official US-UK approval be given to the agreement on Germany in order to strengthen the position of French Foreign Minister Bidault and make it more difficult for the French Chamber to reject or amend the agreement. The French representative has informed US and UK representatives of Bidault's estimate that the debate in the French Assembly could now be held about 11 June and that French approval might not be forthcoming until 15 June.

EUROPE

3. CZECHOSLOVAKIA: Benes plans to resign--President Benes has informed US Ambassador Steinhardt that he will not sign the new Czechoslovak Constitution and will resign "in about ten days." Steinhardt added that although Benes' physical and mental condition has deteriorated considerably since the coup, he has by no means lost possession of his faculties.

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CLASS. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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NEAR EAST-AFRICA

4. IRAN: Soviet activity in northwest thought diversionary--US  
Ambassador Wiley, commenting on reports of increased Soviet-inspired activity in northwest Iran, expresses concern over the possibility that this "ostentatious" activity may be a diversionary tactic and that the next Soviet move against Iran may come from the northeast. Wiley suggests the immediate establishment of a US consulate at Meshed in northeast Iran so that the US will not "be caught completely off guard" in the event of such a Soviet move.

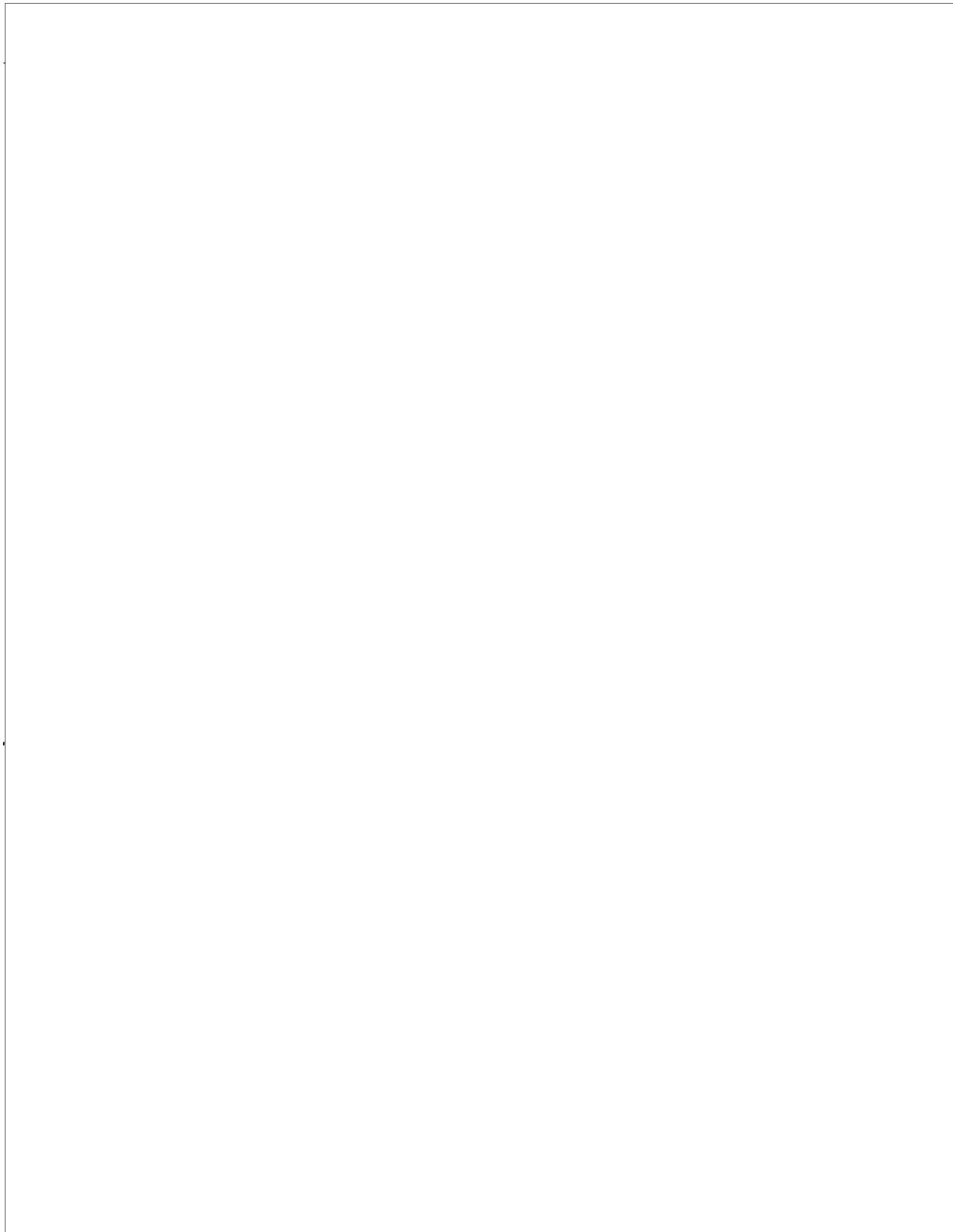
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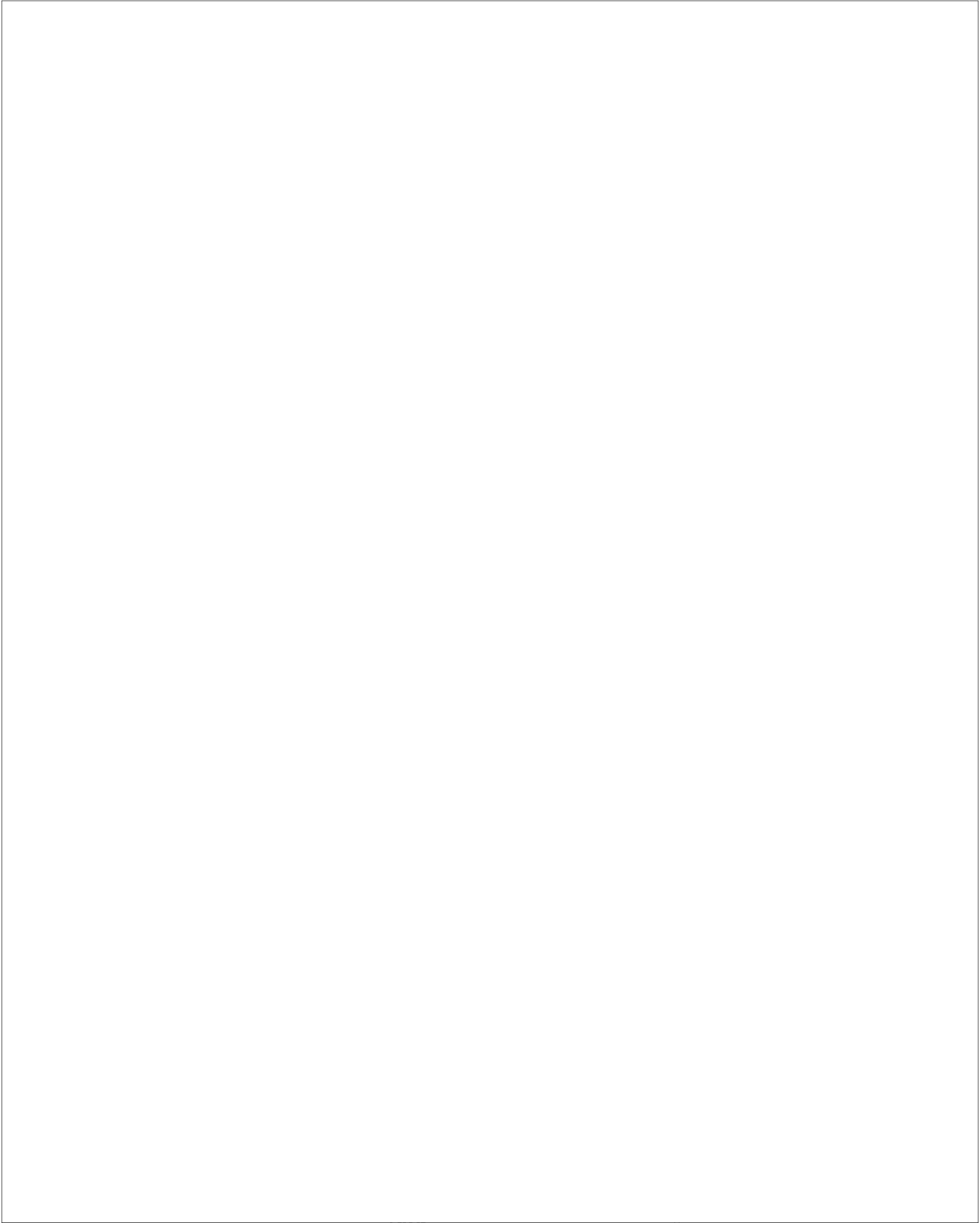
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EUROPE

1. FRANCE: Cabinet crisis may delay debate on Germany--  
 Foreign Minister Bidault has told US Ambassador Caffery that he will do his best to bring the German question to debate in the Assembly before 10 June but can make no promises now. Bidault pointed out that the Government faces an imminent crisis on the issue of subsidies for Catholic schools and that there is general opposition on the German question, including opposition from his own Popular Republican Party (MRP), the Socialists, and the Foreign Office. Caffery reports that Maurice Schumann (leader of the MRP) fears that the question of Catholic school subsidies may bring about a parliamentary crisis which the Government may not survive and believes that until this issue has been settled there is no possibility that the Assembly will be able to debate the German question. Caffery has learned from Premier Schuman's "right hand man" that the Government hopes to forestall the crisis and strengthen its position by requesting the Assembly to postpone debate on the school subsidy bill until its legality can be passed upon by the Council of State.

FAR EAST

2. KOREA: Firm US-UN policy recommended--US Political Adviser Jacobs expresses the view that it is desirable for the US to try to secure active participation by the United Nations Temporary Commission on Korea (UNTCOK) in the formative stages of the new Korean Government. Jacobs favors this course because of his conviction that: (a) the Koreans are more likely to take advice from the UN than from US officials; (b) less fuel will be provided for Soviet propaganda charges that the US is "running the Korean show" for its selfish interests; and (c) an influential segment of the US public will support a "Korea program" if the UN participates. Jacobs believes that although there may be difficulties in dealing with the new Korean National Assembly, the failure of the US and the UN in Korea will mean either war or the abandonment of Korea to the USSR. Jacobs declares that this latter event "could only make a mockery" of US policy in other theaters of the world.

Document No. 053

- 1 -

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Date: 14 MAR 1948 Rv: 028

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### THE AMERICAS

3. **CHILE: Government may turn to UK for naval vessels --**  
US Ambassador Bowers reports that the Chilean Government will be forced to acquire badly needed naval vessels from the UK unless the necessary legislation making US vessels available is passed during the present session of Congress. Bowers fears that if US vessels are not made available, the US Naval Mission will lose all prestige in Chile. (The British have been most insistent in their efforts to sell the cruiser AJAX and other naval vessels to the Chileans at a very reasonable figure.)

- 2 -

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46

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702

## GENERAL

1. Douglas suggests US halt emigration of Jewish DP's--US Ambassador Douglas in London calls attention to the British decision to retain Jewish refugees in Cyprus during the Palestine cease-fire period and suggests that parallel US action with respect to Jewish displaced persons in the US Zone in Germany might be desirable. Douglas points out that because the US has agreed to the British construction of the cease-fire resolution with respect to the immigration of military manpower, any other action would be inconsistent with this interpretation.

## EUROPE

2. FRANCE: Government may fall on German issue--US Ambassador Caffery reports that the chances of the Government's surviving the Assembly debate on the German agreements "do not look very good" at present and that Foreign Minister Bidault is most unhappy because he agreed to go along with the US and the UK. Caffery says that the root of the French opposition to the agreements is a fear that the establishment of a government in western Germany will result in an aggressive Soviet attempt to force the western powers out of Berlin, followed by conflict with the US in which the USSR might over-run France. Caffery has also learned from a French parliamentary leader that, because of the traditional French fear of Germany, there is widespread hostility among French parliamentary groups to "Bidault's German policy." Caffery also notes that: (a) some Socialists believe a final approach should have been made to the USSR before proceeding with the talks on Germany; and (b) almost all of the French press has blasted Bidault in particular and the Government in general for the agreements reached at London.

## NEAR EAST-AFRICA

3. INDIA: Indian Army fighting Pakistan regulars in Kashmir--The US Military Attache in Karachi reports that advancing Indian Army troops are now actively engaged with Pakistan

- 1 -

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

Date: 4 MAR 1978 By: 028

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Army battalion in western Kashmir. The MA says that both India and Pakistan have refused to take official cognizance of the action in order to avoid being forced into open and declared war. He adds, however, that continuation of the present Indian Army offensive will automatically result in a large-scale conflict between the forces of the two dominions. The MA considers it "absolutely essential" that the UN Kashmir Commission proceed directly to India without delay.

#### FAR EAST

4. KOREA: Washington-Moscow power negotiations suggested-- US Political Adviser Jacobs suggests that the US may wish to consider taking up with Moscow the issue of the North Korean power cut-off. Jacobs suggests this action because he regards the cut-off of power to South Korea as an act of economic warfare. He points out that the Soviet commander in North Korea still adheres to the position that all requests concerning power must be addressed to the People's Committee. Jacobs has little hope that a high-level approach will be successful but feels that for propaganda purposes it may be helpful by eliciting a Soviet statement regarding occupation responsibility.

- 2 -

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## GENERAL

1. UN Palestine mediator requests Soviet observers--US Embassy London has learned from a UK Foreign Office official that UN Mediator Bernadotte requested the Soviet Embassy in Cairo to supply him with military observers. The UK official stated that the Foreign Office prefers to have observers drawn from small neutral states but is receptive to the US idea of drawing on member states of the Truce Commission.

The Department of State has instructed US Embassy Cairo to inform Bernadotte in strictest confidence that the US "would not be pleased" to furnish observers if the USSR or its Satellites were invited to do so.

2. Arabs thought willing to end Palestine War--An officer of the US Consulate General in Jerusalem has gained the impression from conversations with King Abdullah of Transjordan and his Prime Minister that the Arabs would be glad to call off the war if they could do so without losing face in their own countries and abroad. The consulate officer feels that the Prime Minister did not appear particularly optimistic over future negotiations, but that the Prime Minister, the King, and other Transjordan officials strongly desire an end to hostilities. The consulate officer was told that in the recent Amman talks of the Arab states, the Prime Minister joined with the Egyptian Foreign Minister in urging acceptance of the UN cease-fire proposal despite vigorous opposition from Syria, Lebanon, and Saudi Arabia, which evidently were suspicious of Transjordan's intentions.

## EUROPE

3. FRANCE: Blum will support Government on critical issues--Socialist Leader Leon Blum has informed US Ambassador Caffery that he will try to prevent an overthrow of the Government on the controversial issues of religious schools and French participation in the London agreements on Germany. Blum said

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 Auth: DDA Memo, 4 Apr 77  
 DDA REG. 77/1763  
 Date: 14 MAR 1978 By: 026

- 1 -

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he would make this effort despite his lack of complete agreement with the Government's position on these matters.

(CIA Comment: CIA believes that the Socialists will not press their dissatisfaction to the point of causing the overthrow of the Government.)

**FAR EAST**

- 4. **INDONESIA: Soviet move precipitates serious crisis--Chairman Du Bois of the US delegation in the UN Good Offices Committee reports that Soviet recognition of the Republic of Indonesia has precipitated a serious crisis between the Dutch and the Indonesians. The US delegation considers that the Republic has gone as far as it can be expected to go at this time in disavowing any relationship with the USSR and that Dutch suspension of negotiations over this issue would be disastrous. Du Bois points out that there is increasing evidence that Vredenburg, chairman of the Dutch delegation, has no interest in reaching a reasonable political agreement with the Republic. Du Bois considers that Vredenburg's attitude makes it impossible for the Republic to extricate itself from the dilemma resulting from the Soviet move and may even enhance, in Republican minds, the value of the Soviet connection.**

**THE AMERICAS**

- 5. **VENEZUELA: British arms offer-- [redacted] the British have offered to sell a cruiser, five meteor jet planes, and armaments to Venezuela, but that the Venezuelan Minister of Defense prefers to buy 3 destroyer escorts and other equipment from the US. If this is not possible, [redacted] believes the Minister may close the deal shortly with the British.**

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46  
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704

## GENERAL

1. Bevin's views on US-UK policy regarding Germany--Foreign Secretary Bevin, in discussing the scheduled program for Germany with Ambassador Douglas on 4 June, stated that, while the UK is prepared to proceed with the US regardless of the French attitude, some of his colleagues are a "little uneasy" lest Britain find itself alone in the event that the US-UK policies proved to be more provocative to the USSR than now appears to be the case. Bevin made it clear to Douglas that the UK is determined to go ahead with the program for western Germany and that he was merely expressing an apprehension that congressional action might not sustain the firmness of the US executive branch.
  
2. Reaction to proposed cut in ECA funds--Available reports from US diplomatic missions indicate that the action of the House Appropriations Committee in recommending a reduction in appropriations for European recovery has produced an initial reaction of dismay in the participating countries and has raised doubts as to the extent to which US long-range support of European recovery can be depended upon. A summary of principal reactions and comments by US missions follows:

Italy: US Embassy Rome reports a widespread feeling of disappointment and confusion at what appears to be a US retreat from support of its commitments for Italian and European recovery. The Italian Minister of Foreign Affairs, Count Sforza, has expressed his concern to US Ambassador Dunn and has declared that "the whole machinery of recovery might be substantially decreased, if the global amount needed for the goal is reduced." Government officials are disturbed by the prospect of attacks from the extreme Left and the effect such attacks might have in Parliament at a time when the new Cabinet needs a vote of confidence by a large majority.

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- 1 -

Class. CHANGED TO: TS S (C)

DDA Memo, 4 Apr 77

DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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France: US Embassy Paris points out that any substantial cut in the appropriation will: (a) greatly strengthen Communist propaganda, which will exploit the action as evidence of uncertain US interest in European recovery and of the consequent necessity that France should also cooperate with the USSR; (b) seriously dislocate and jeopardize the Government's internal economic stabilization program and expose the Government to charges of gullibility and incompetence; and (c) weaken the essentially democratic forces of the center represented in the present "third-force" coalition.

Austria: US Legation Vienna reports that Communist and Soviet newspapers are jubilantly featuring the recommended appropriation cut on their front pages as heralding the "collapse of the present plan." The Legation believes that the proposed reduction would make it impossible to maintain in Austria even the present inadequate standard of living and that it will almost certainly be interpreted, even by the friendly Austrian population, as demonstrating the failure of the European recovery plan.

Denmark: The Foreign Office has informed US Embassy Copenhagen that the Danish Government "cannot but take a very serious view of such a reduction." The Embassy is convinced that the House Committee's action at this juncture will seriously damage Danish confidence in US intentions and performance.

Switzerland: US Legation Bern believes that the projected reductions will have a serious political effect, bolstering the cause of the important Swiss political element which favors the traditional Swiss policy of neutrality rather than solidarity with western European countries. The Legation believes that alteration of the US program at this time will lead to charges of US "capriciousness."

- 2 -

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Greece: US Embassy Athens comments that the Greeks can be expected to take a pessimistic and even alarmist view of the proposed cut in European recovery and military allocations to Greece. The Embassy believes that such action is likely: (a) to undermine efforts previously made to hold the line against Communism; and (b) to furnish ammunition to those who declare that the US is at heart isolationist and can not be relied upon to carry through its foreign affairs program.

Turkey: US Embassy Ankara comments that a substantial appropriations cut would result in a "feeling of utter frustration and confusion on the part of the Turks as to US policy regarding European recovery and Turkey's position therein."

### THE AMERICAS

3. PARAGUAY: Extremists apparently victorious in coup--  
US Ambassador Warren in Asuncion reports, concerning the 3 June coup which caused the resignation of President Morinigo, that President-elect Gonzalez has expressed regret over the occurrence, and has implied that he was not the instigator of the plot. Warren adds that the coup appears to be a victory for the Guion Rojo (the extremist faction of Paraguay's only active political party) which has sponsored Gonzalez.

(CIA Comment: Other reports indicate the possibility that a moderate group, opposed to both Morinigo and Gonzalez and striving for party unity, may have gained control. It seems unlikely that any group which emerges victorious either (a) will bring a moderate and truly representative government to Paraguay; or (b) will deviate from the Morinigo government's policy of seeking US friendship and financial and diplomatic aid as a counter to Argentine influence.)

- 3 -

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7 JUN 1948

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705

## GENERAL

1. UK willing to furnish naval vessels to Palestine Mediator-- US Ambassador Douglas in London has been informed by Foreign Secretary Bevin that UN Mediator Bernadotte is agreeable to an Egyptian proposal to use the British Navy and Air Force in securing observance of the Palestine truce terms. Douglas learned from a high Foreign Office official that the Foreign Office intends, following the receipt of a formal request from Bernadotte, to recommend to the Cabinet that British aircraft and vessels be used solely for observation and not for enforcement.

2. Australian views on Korean elections--The Department of State has informed the US Political Adviser in Seoul of the following views expressed by an official of the Australian Embassy in Washington: (a) Australia is "far from satisfied" with the handling of the Korean elections; (b) there is "considerable evidence" of police pressure in connection with the elections; (c) at least a minority of the UN Commission will take the position that the elections were only provisional and not national in scope.

(CIA Comment: There are indications that the Canadian and Syrian representatives on the 7-member commission may share Australia's views. Actually, the South Koreans appear to have conducted the elections with a minimum of police intimidation. Because of the reluctance some members of the commission feel toward associating the prestige of the UN with the precarious existence of the new South Korean regime, a minority report along the above lines might be a diplomatic maneuver designed to elicit a US guarantee of the regime's future security.)

3. Spaak says continued firm policy toward USSR necessary-- Belgian Premier Spaak has expressed to US Ambassador Kirk his satisfaction with the apparent results of current US policy toward the USSR. Spaak feels that a firm policy must be

Document No. 056  
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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 14 MAR 1978 By: 028

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continued by the US and the five countries of the Brussels Pact despite obvious maneuvers of the USSR "to play down the seriousness of the situation." Spaak expressed the hope that the US will not slow down its rearmament plans but will continue to reinforce its announced policies with evidence of the necessary power. Spaak feels that although Molotov is at present retreating in the face of western steadfastness, he would quickly resume aggressive tactics if the western powers should display any softness.

#### EUROPE

4. FRANCE: Next ten days believed critical for Government--  
US Ambassador Caffery reports the view of qualified observers in Paris that the next ten days will be the most crucial the Schuman Government has yet faced, in view of the critical character of the German problem and the Catholic school issue. Caffery says that Bidault is somewhat more optimistic concerning the prospects of Socialist action on the German question but is very apprehensive over the Gaullist reaction. Caffery says that De Gaulle plans to make a strong statement against the Government's German policy about the middle of this week.

(CIA Comment: CIA believes that, although De Gaulle will attack Bidault's policy on Germany in the hope of improving the electoral position of the Gaullists for the fall elections, De Gaulle will not at present make an all-out effort to cause the fall of the Schuman Government.)

5. SOVIET UNION: Note concerning Embassy housing suggested--  
US Ambassador Smith proposes that the US submit a note regarding Embassy housing and customs difficulties to the USSR. Smith suggests that the note request that the USSR reduce its staff in the US to conform to US representation in the Soviet Union. Smith indicates the imperative need for a satisfactory solution of the problems confronting Embassy Moscow but expresses his awareness of the possibilities of: (a) an unfavorable public reaction in the US; and (b) a retaliatory reduction of US representation in the Satellite states.

- 2 -

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6. **CZECHOSLOVAKIA: Gottwald may succeed Benes --US Ambassador Steinhardt has been "reliably" informed that Premier Gottwald will succeed President Benes and that Antonin Zapotocky (powerful Chairman of the Central Trade Union Council) will replace Gottwald as premier.**

(CIA Comment: Assignment of the two top positions to Communists would indicate that the Czechoslovak regime feels strong enough to dispense with non-party fellow travelers or "moderate" Communists. This feeling of strength would also be indicated by the action of the Communists in making the extreme radical Zapotocky premier and putting the more moderate Gottwald in a higher but less effective position.)

#### NEAR EAST -AFRICA

7. **PALESTINE: Jews in Cyprus camps likely to attempt breakout -- US Consul Porter in Nicosia (Cyprus) has been informed by the British military commander in Cyprus that 24,000 Jews in local detention camps are becoming "extremely agitated" and are likely to attempt a breakout. The British commander says that his troops will oppose such an attempted departure with force, pointing out that "the only British limitations on departure will be in accordance with UN decisions."**

#### FAR EAST

8. **INDONESIA: Netherlands assures no military action planned -- The Department of State has informed the US delegation to the UN Good Offices Committee that the Netherlands Ambassador in Washington has assured the Department that his Government is determined to reach an agreement with the Republic of Indonesia and plans no military action. The Dutch Ambassador indicated that the Netherlands Government is prepared to compromise on the issues of Republican foreign representation now abroad and demobilization of the Republican Army, if the Dutch are convinced that the Republic is acting in good faith.**

- 3 -

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## GENERAL

1. Soviet views on London talks on Germany--US Ambassador Douglas in London transmits the following account of an interview between the chairman of the UK delegation to the talks on Germany and the Soviet Ambassador in London: (a) when informed of the terms of the six-power agreement on western Germany, the Soviet Ambassador immediately replied on the basis of prepared notes that the USSR could not regard as legal any decisions reached on Germany without Soviet participation; and (b) the Soviet Ambassador declared that as a result of this action the US, the UK, and France would "bear the whole responsibility for splitting Germany, for wrecking the agreement on the Control Council, for the elimination of the Council of Foreign Ministers, as well as for the consequences of such a policy." According to Douglas, the French representative in London recommended that the USSR be promptly advised that "the door remains open" for the Soviet Zone to join the western German organization. The French representative believes that such a reply would assist the Schuman Government in the forthcoming Assembly debate on German policy. Douglas indicates that he agrees with the British Foreign Office view that no direct reply should be made at this time.
2. US to urge De Gaulle to support London agreement--The Department of State has suggested that a member of US Embassy Paris impress upon one of De Gaulle's close advisers the international importance of French approval of the London agreements on western Germany. The Department doubts that De Gaulle is aware of the implications for over-all French security of continued resolute and united action by the three western powers. The Department suggests that De Gaulle be advised that the failure of France to approve the agreements would have serious repercussions on US public opinion, offer dangerous encouragement to the USSR, and benefit only the Communists.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 128~~TOP SECRET~~

~~TOP SECRET~~  
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**FAR EAST**

**3. PHILIPPINES: Stronger guarantee of US military assistance sought--**



3.3(h)(2)

world situation: (a) the Philippines should demand from the US a stronger guarantee of military assistance in the event of war; and (b) because of the "inadequate" size of US forces and bases now in the Philippines, the Government should make some friendly overtures to the USSR in order to reduce the "coldness of the present situation." (The proposal of a customs agreement would be a probable first step.)

- 2 -

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## GENERAL

1. Transjordan thought to want end of Palestine war--An officer of the US Consulate General at Jerusalem gained the impression from recent conversations that many Transjordan Government officials and their British advisers desire an end to the Palestine war if an honorable way out, involving no loss of prestige, can be found for Transjordan. These officials believe that:
- (a) the reappearance of rivalries among the Arab states will weaken the Arab war effort; (b) time favors the Jews; (c) the war cannot possibly end in victory for the Arabs; and (d) King Abdullah does not wish to risk losing his army and thereby forfeit his present strong position vis-a-vis the other Arab states.

## EUROPE

2. FRANCE: Strong opposition to London agreements on Germany--US Ambassador Caffery reports that in conversations with various French political leaders he has encountered strong opposition to the London recommendations on Germany. Caffery comments that much of the opposition stems from personal dislike of Foreign Minister Bidault and the "high handed" way he is running foreign policy; Caffery remarks that Bidault is the only man in the French Government who would have sponsored the London agreements. The chairman of the Assembly Foreign Affairs Committee has told Caffery that he does not believe he "will dare" to vote for the London agreements in the face of the almost unanimous opposition of the French people, who, he claims were inadequately prepared for a major change in French policy. Caffery reports that Cabinet discussions of the agreements "did not go well" and are being continued.

Concerning De Gaulle's present stand on the London agreements, Caffery does not believe that the US Embassy has effectively modified De Gaulle's attitude. Caffery says that De Gaulle's hatred of Bidault is extreme, and he believes that the Gaullists are "increasingly determined" to overthrow the

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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Schuman Government on the German issue. A leader of the rightist Republican Party of Liberty has informed Caffery that there is strong opposition in his party to the London agreements and that this opposition may be increased by De Gaulle's expected condemnation of the Government.

(CIA Comment: CIA believes that the French Assembly will accept the recommendations on Germany; see attached Annex for an analysis of the probable action of the Assembly.)

3. GREECE: Griswold and Van Fleet warn against aid reduction--  
 AMAG Chief Griswold and General Van Fleet express their "unequivocal" belief that any reduction of US military aid to Greece (as contemplated by the US House of Representatives) would seriously jeopardize AMAG objectives by curtailing the Greek Army's operations and by encouraging the guerrillas to husband their resources for a new effort next winter. Griswold points out that failure of the Greek Army to establish security in most of Greece this summer would: fill the Greek people with despair and thus destroy economic recovery, magnify the refugee problem, nullify reconstruction accomplished to date, and require Greece to wage another military campaign of the present scope next summer "which it simply cannot afford." Griswold adds that reduced appropriations would also curtail the intensive security measures which must be carried out even if major rebel concentrations are defeated this year.

#### FAR EAST

4. CHINA: Unlimited US military advice recommended--The Air Division Director of the AAG (US Army Advisory Group) in Nanking believes that the military situation of the National Government has reached a critical stage where any efforts to reverse the present trend "must be made immediately, else the situation will become impossible." According to the Air Division Director, the Communists presently appear capable of dominating

- 2 -

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Manchuria and all of China north of the Yangtze River; he points out that such domination would probably result in the collapse of the National Government. The Director recommends, with the concurrence of the Chief of the AAG, that present US policy be reviewed with a view to the authorization of "unlimited military advice and staff assistance to the Chinese armed forces, coupled with authority to monitor any US logistical support planned for the future to promote acceptance of operational advice." The Director emphasizes that the granting of this authority will not assure the halting of further deterioration of the situation.

5. INDONESIA: US delegation views on Dutch plan--Chairman Dubois of the US delegation to the UN Good Offices Committee believes that no real compromise is possible between the current plans of the US delegation and the Netherlands for the creation of a United States of Indonesia. Dubois believes that the US delegation plan would result in an orderly Indonesian Government strongly disposed to cooperate with the Dutch and the West, while the Dutch plan would lead to long-range political and economic instability. Meanwhile, US Embassy The Hague reports that within the next two or three days the Netherlands Government will probably issue a statement requesting clarification of the Republic's relations with the USSR and pressing for unilateral discussions with Republican leaders.

(CIA Comment: CIA believes that the Dutch will make every effort to prevent the presentation to the Good Offices Committee of the US delegation plan and will accelerate their attempts to minimize the influence of the Republic in the projected United States of Indonesia.)

- 3 -

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A N N E X

9 June 1948

**PROBABLE RESULT OF FRENCH ASSEMBLY DEBATE ON THE  
LONDON AGREEMENTS ON GERMANY**

Faced with the US and UK decision to establish a provisional German government in the US-UK Zone, if France refuses to accept the London agreements, the French Government will make every effort to obtain Assembly approval of the program prepared in the British capital. Debate in the Assembly is scheduled to begin on 11 June.

Although Premier Schuman may be compelled to demand a vote of confidence in order to carry his policy through the legislative body, he will probably receive final approval after what promises to be a prolonged and heated discussion. Assembly acceptance of the agreements is believed assured. The delegates will realize that: (a) the concessions made to France are real and advantageous; (b) the US has done everything possible at the present time to guarantee French security against a revived Germany; and (c) French economic and security requirements would have to be renegotiated on a less favorable basis, if France fails to ratify the London agreements and the US and UK proceed with independent reorganization of their zone without making provision for the internationalization of the Ruhr or the establishment of other French security guarantees.

In addition to the above considerations, Schuman is believed to possess enough strength in the Assembly to win his vote of confidence even if the Gaullists and the Communists attempt to effect the fall of the Government at this time.

- 1 -

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## GENERAL

1. New Soviet approach for "improved" relations with US--US  
Ambassador Stuart in Nanking reports that the new Soviet Ambassador, Roschin, opened his introductory call by asking what could be done to improve conditions between the US and USSR. Roschin spoke of Soviet hopes arising from the Smith-Molotov exchange and "the desire of all people for peace." Stuart replied that the US people desire peace, fear the outbreak of another war, and are harassed by fears and suspicions of Soviet aggression; he described the problem as involving "two great nations, each respecting the right of the other to maintain its own form of government and ideologies without interference, while avoiding aggressive designs against smaller countries which would disturb confidence." Roschin concurred and asked what could be done. Stuart suggested an approach to the Department of State through the Soviet Embassy in Washington or, as a "wise Chinese method for reaching a solution," the good offices of some neutral country as middle-man. Stuart added that in any event he was certain the US Government "would welcome any such proposal" which it was convinced was not being made for propaganda purposes. In a discussion of the China situation, the Soviet Ambassador (former military attache in Nanking) asked if Chiang were aware of the real military conditions, and he volunteered the comment that the Generalissimo's field officers were perhaps misleading him.

## EUROPE

2. FRANCE: Unconditional approval of London agreement unlikely--  
US Ambassador Caffery reports that it is now unlikely that the Government could obtain a majority vote in the Assembly for outright support of the London agreement. Caffery says that the wording of the necessary "order of the day" on which the final vote will be made will probably avoid complete approval of the Government's German policy and may even call on the Government to seek "supplementary guarantees" in connection with the agreement. Caffery says the Assembly debate on the London agreement

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

~~TOP SECRET~~  
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may be delayed by the critical school issue, which has taken a "sharp turn for the worse."

(CIA Comment: In the event that the approval of the order of the day contains reservations regarding the Government's foreign policy, CIA believes that these conditions will be so formulated as to permit the Government to approve the London agreement.)

3. ITALY: ECA slash threatens position of Italian Government-- Premier De Gasperi has emphasized to Ambassador Dunn the delicacy of his Government's position because of the action of the US House of Representatives in reducing the appropriation of the Economic Cooperation Administration (ECA). De Gasperi points out that the Government's whole policy during the April electoral campaign was based publicly on full commitment to the European recovery program and that he has publicly reiterated since the election that Italian recovery and social and agrarian reform were dependent on this program.
  
4. YUGOSLAVIA: Regime thought groping for new policy-- US Ambassador Cannon reports his belief that the confidence of the Tito regime in its ability to move forward boldly is faltering and that the Government is groping for a policy which will make it once again the Balkan "spearhead of evangelical and expansionist Communism." Cannon points out that in making its reappraisals the Yugoslav Government finds little comfort at home or abroad in the face of: (a) the recent firm and vigorous US policy which has blocked Yugoslav designs on Austria, Trieste, and Greece; (b) increasing internal economic difficulties; and (c) political deviationism which is affecting even the top structure of the Communist Party. Cannon believes that Greece is still the foremost Yugoslav problem and that events in Greece will profoundly influence all Yugoslav campaigns and policies.

(CIA Comment: The recent Communist purges in Yugoslavia and the tightening of police controls will enable the Tito regime to survive the present period of indecision. Despite these measures, economic and political conditions will probably further deteriorate. Consequently, preoccupation with these internal difficulties will force the Tito regime for some time to play a less aggressive role in international affairs.)

- 2 -

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## FAR EAST

5. **KOREA: Delay of US recognition recommended--US Political Adviser Jacobs feels that a decision on the matter of US recognition of the anticipated Korean Government should be delayed. Jacobs believes that prior to making such a decision it is necessary to know: (a) the kind of government the National Assembly will form; (b) the UN Commission's attitude toward that government; (c) the arrangements for the establishment of native security forces and for the withdrawal of occupation troops; and (d) the general attitude of the new government toward the transfer of authority. Jacobs adds that early US recognition would "almost certainly" lead to formal recognition of the North Korean People's Committee by the USSR accompanied by the accusation that precipitate US action had prevented Korean unification. Jacobs feels that both Korean and UN opinion might thus be alienated and that the US might "find itself alone with a very difficult new state without UN support."**

## THE AMERICAS

- 3.3(h)(2) 6. **PERU: Cabinet resignation threatened-** [redacted]

[redacted] President Bustamante's all-military Cabinet has given him until noon of 10 June to decide whether Congress will meet as scheduled on 28 July. The Cabinet threatens to resign if Congress is allowed to meet because it fears that Apra, Peru's largest party, will have a strong enough representation to deal a major blow to military dominance in the government.

(CIA Comment: Although Bustamante reportedly desires Congress to open 28 July as required by the Constitution, he will probably accede to the Cabinet's demand because he cannot afford to alienate his military support.)

- 3 -

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709

EUROPE

1. FRANCE: Assembly may ask further talks on Ruhr management--  
 US Ambassador Caffery believes that the French Assembly will probably give the Government's German policy only a conditional approval and will request the Government to negotiate further in order to obtain greater recognition of French views on the management of the Ruhr, on French security, and on German federalism. Andre Philip, leader of the Socialists in the Foreign Affairs Committee, has expressed to Caffery the belief that the recommendations will not be approved unless the Government can announce that the extension of international control of the Ruhr to include actual management of the coal mines is a question still open for international discussion. The Department of State has informed Caffery that the US answer to this particular suggestion is "no," although the London agreements as a whole are not regarded as immutable.

Concerning the Assembly vote on the London agreements, Caffery believes: (a) the Communists and the Gaullist parliamentary group will vote against; (b) a majority of the Popular Republican Movement and Socialists will probably vote for; and (c) the outcome will depend largely on the position taken by the rightist Republican Party of Liberty and the independent Republicans. Ex-Premier Reynaud believes that the Schuman Government would be helped by publication of an official US statement declaring that if the French Assembly does not approve the agreement, the US will reluctantly go ahead with the other signatories, without France. Caffery believes some move along these lines would be useful in the situation.

(CIA Comment: CIA believes that when the vote is taken in the Assembly, a narrow majority will support the Government.)

THE AMERICAS

2. CHILE: Reaction to US sale of arms to Argentina--US Ambassador Bowers emphasizes that the recent sale of US arms to Argentina has had an exceedingly bad effect on US prestige in

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Auth: DDA Memo, 4 Apr 77

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Date: 14 MAR 1970 By: 028

TOP SECRET

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military circles in Chile. Bowers believes that in reaction to the arms sale, the Chileans may hasten purchase of the British cruiser AJAX and other ships as well as all types of military equipment in the open market, unless the inter-American military cooperation act is passed during the present session of the US Congress.

3. **COSTA RICA: Incurison by Nicaraguan troops reported--**  
The Minister of Justice has informed US Ambassador Davis that in taking up defensive positions against possible attacks from Costa Rican revolutionaries, Nicaraguan troops have crossed the San Juan River into Costa Rican territory. Davis believes that no attack on the Nicaraguan troops will be made by Costa Rican forces in the foreseeable future.

(CIA Comment: CIA estimates that this reported maneuver by Nicaraguan General Somoza represents another dramatic attempt to bring attention to recent reports of imminent revolutionary moves against Nicaragua from Costa Rican territory. General Somoza thus hopes to force the Costa Rican Government to repress the anti-Somoza revolutionary brigade that he apparently believes is being organized on Costa Rican territory and also to prevent Costa Rica from directly assisting such revolutionaries. It is unlikely that the movement of Nicaraguan troops into northern Costa Rica will precipitate open warfare.)

- 2 -

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710

## FAR EAST

1. **CHINA: Chiang Kai-shek thought approaching senility--US Embassy Nanking transmits the observation of Ambassador Stuart's personal adviser that Chiang Kai-shek has become a tired old man, "incapable of meeting effectively the responsibilities he has assumed." Stuart's adviser, who has observed Chiang closely during the past two years, reports that recently he has noticed a decided approach to senility. The adviser, who believes that Chiang is losing prestige daily and "inevitably" will be removed from authority sooner or later, takes the view that without the Generalissimo at the head of the state China might relapse into regionalism. He suggests that some way might be found to persuade Chiang to renounce the emergency powers he now possesses and to seek a strong prime minister who would provide the requisite leadership. The Embassy comments that Chiang has dominated the scene in China for so long that no other person of the caliber necessary to assume such leadership has appeared.**

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 14 MAR 1978 By: 028

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## EUROPE

1. GERMANY: Soviet reaction to London agreements on Germany--  
 US Political Adviser Murphy in Berlin observes that "the most positive reaction by Soviet authorities to the London communique" has been in the field of transport and travel. Murphy comments that the action of Soviet officials in delaying freight movement across the frontier of the Soviet Zone may well indicate that the USSR is now preparing to cut Berlin off completely from supplies originating in the west. Murphy observes, however, that it is also possible that Soviet authorities are attempting to create a situation in which they can declare that emergency conditions prevail in Berlin, thus hoping to convoke a meeting of the Allied Control Council in order to discuss the situation. Meanwhile, Headquarters European Command Heidelberg reports that Soviet officials have closed at a number of points the highway between Berlin and Magdeburg, allegedly for road repairs, and that the Berlin-Helmstedt highway may be similarly closed within the next few weeks.

(CIA Comment: CIA considers that Ambassador Murphy's alternative suggestion that the USSR may be trying to create an "emergency" situation is more likely to represent Soviet intentions.)

2. GREECE: Rankin warns against Soviet-Satellite blandishments--  
 US Charge Rankin fully endorses the view that the Greek military situation constitutes the key to the Balkan situation. Rankin believes that recent Soviet-Satellite gestures of conciliation may be an effort to settle the Greek affair by conciliation through the UN, thus by-passing the UN Special Committee on the Balkans (UNSCOB), and leaving the Communists "unbroken" to resume their campaign at a more propitious time. In Rankin's opinion, it is essential that the military phase of the Greek campaign end with a "crushing defeat" of the guerrillas and not through appeasement or conciliation. Rankin emphasizes that US officials in Greece feel genuinely confident that the Greek Army can bring its current campaign to a successful conclusion.

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DDA Memo, 4 Apr 77

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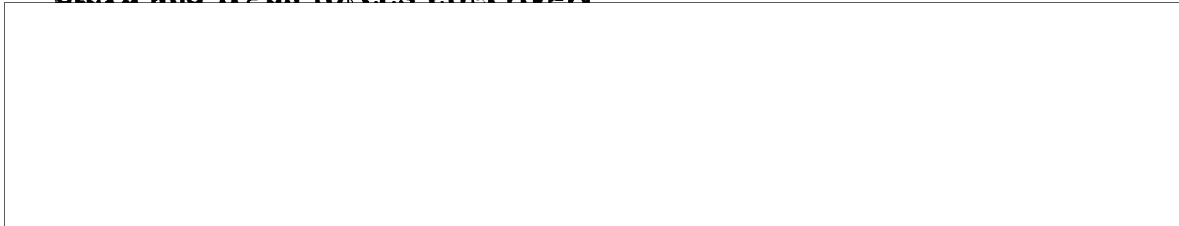
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GENERAL

- 1. Jewish leaders reject responsibility for Stern and Irgun forces--  
A high official of the Jewish Agency has informed UN Mediator Bernadotte that Jewish leaders are unable to assume responsibility for "dissident" elements in Jerusalem. The official pointed out that Jewish authorities are unable to control the Stern and Irgun forces effectively



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FAR EAST

- 2. INDONESIA: Netherlands embarrassed by US proposal-- US Ambassador Baruch in The Hague reports that the Netherlands Government is embarrassed over the latest proposals submitted by the US delegation in Batavia for a settlement of the Dutch-Indonesian dispute. According to Baruch, the Dutch Prime Minister feels that his Government is not in a position to make any important decision until after 1 August when a new Dutch government will be formed. Baruch reports also the view of a Netherlands Foreign Office official that cooperation between members of the UN Good Offices Committee (GOC) is now impossible. The Dutch Government reportedly hopes that Republican Prime Minister Hatta and Acting Governor General Van Mook of the Netherlands Indies Government will confer outside the GOC and clarify the major differences between the Dutch and the Indonesian Republic.

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DDA Memo, 4 Apr 77

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## GENERAL

1. French military views on Soviet strategy--The US Military Attache in Paris reports that the Chief of French Army Intelligence does not anticipate any Soviet military reaction to current efforts by the western powers to solidify western European defense and promote economic recovery. At a 14 June conference attended by French military leaders and the MA, the Intelligence Chief indicated he expects a continuation of the Soviet "cold war" and a further exertion of pressure in Berlin with the object of ejecting the western powers without precipitating war with the US. Armed Forces Minister Teitgen expressed his special fear of a centralized Germany under Communist control. Teitgen believes that "hostilities" might result from: (a) the formation of an eastern German Government by the USSR subsequent to the creation of a western German Government by the western powers; and (b) the lack of a common German currency as a basis of exchange, particularly in Berlin, subsequent to currency reform in the western zones. The MA says that Army Chief of Staff General Revers and Armed Forces Inspector General de Lattre, who also participated in the conference, were not explicit on the anticipated military reaction of the USSR. De Lattre indicated, however, that the prime French fear was not of the USSR, but of a resurgent Germany.

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DDA REG. 77/1763Date: 14 MAR 1978 By: 028~~CONFIDENTIAL~~

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**GENERAL**

1. Views of Satellite diplomats on US-USSR relations--US  
Ambassador Smith in Moscow transmits from the Italian Ambassador the following informally-expressed views of the Rumanian and Polish envoys to the USSR: (a) hostilities between the US and the USSR are inevitable; (b) such conflict will probably not occur for a period of 5 to 25 years but unforeseen developments might precipitate it sooner; and (c) the present Soviet trend toward "a softer line" is a tactical maneuver that will be followed by a resumption of the "cold war" following the US presidential elections. Smith comments that both the Rumanian and the Polish ambassadors are Communists and are accurate observers "within the limits imposed by the party line."

**EUROPE**

2. GREECE: Griswold warns against "peace propaganda"--  
AMAG Chief Griswold reports that the Greek Army will soon launch an offensive designed to defeat the guerrillas decisively during 1948. He believes that, in the light of recent guerrilla peace feelers, the army offensive will provoke sensational Communist charges that "American imperialists and the Athens Monarcho-Fascists want war and bloodshed" while Markos' followers are actively seeking peace. Griswold warns that the objective of such propaganda will be to divide and confuse the supporters of US aid to Greece at the very moment of the greatest chance of success. He emphasizes that an offer to negotiate a peace between the Greek Government and Markos on an international level should be rejected because "it is essential that the liquidation of this problem be found within the framework of the authority of the Greek sovereign state."

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46

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## GENERAL

1. Poland asks that Berlin Allied Control Council be reconvened--  
 US Political Adviser Murphy in Berlin reports that the chief of the Polish Military Mission in Berlin has requested the French Military Governor to convene immediately the Allied Control Council for a discussion of the six-power recommendations on Germany. The Polish request alleges that the recommendations impair the authority of the Council and constitute an infringement of existing quadripartite obligations and the Potsdam agreements.

(CIA Comment: This request is undoubtedly prompted by the USSR. If a new session should be held, it would give the USSR opportunity for: (a) attacks on the London recommendations; (b) proposals for quadripartite currency reform or other "conciliatory" suggestions; and (c) a formal request for dissolution of the Control Council and withdrawal of the allies from Berlin if Soviet "conciliation" is rejected.)

## EUROPE

2. FRANCE: French reservations not to damage London agreement--  
 US Ambassador Caffery reports that although he cannot make an authoritative comment on implications of the French Assembly resolution on the London agreements until he has had a frank talk with French leaders, the resolution contains no reservations sufficiently specific to prevent implementation of the London recommendations. Caffery adds that everything depends on the spirit in which the negotiations implementing the London agreement are carried out.
3. GERMANY: Threatened food crisis in western Germany--  
 US Political Adviser Murphy reports that bread grain stocks in the US-UK Zone are dangerously low and that maintenance of the bread ration during the next two months will depend on the prompt arrival of US food imports scheduled for June and July. Murphy indicates that the full bread ration seems assured

Document No. 064

- 1 -

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 DDA REG. 77/1763Date: 14 MAR 1978 By: 028

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for the Ruhr but that the other western German laender face the possibility of cuts of 500 to 1000 grams per month.

(CIA Comment: CIA believes that if such cuts are made following recent promises to raise the normal consumer ration in western Germany, very serious labor unrest will follow, particularly in view of the present German uneasiness over the effects of currency reform and the establishment of a provisional western German government.)

Currency reform may bring new Soviet controls---

US Commanding General Clay believes that the tightening of Soviet controls about 10 June resulted from Soviet apprehensions that currency reform in the western zones might take place at that time. Clay is inclined to think "this is more likely than a further tightening at the moment to force us from Berlin." Clay comments, "that move will come when we install separate currency, if it comes at all."

FAR EAST

4. MALAYA: Lawlessness reaches serious proportions--According to the US Naval Liaison Officer and US Consul General Singapore, general lawlessness in Malaya has reached such serious proportions that the UK High Commissioner of the Malaya Federation has proclaimed emergency special police power in the states of Perak and Jahore and has given estate managers permission to carry arms. The US representatives believe that with the granting of extra legal and police powers, the British can deal with the situation. However, the Naval Liaison Officer, who indicates that much of the lawlessness is politically inspired, believes that internal security can be maintained only along the main line of communications on the west coast if serious clashes develop between Chinese Kuomintang and Communist elements.

(CIA Comment: In view of the confirmed existence of an underground Kuomintang "army" in northern Malaya, CIA believes there is a distinct possibility of clashes between the Chinese Nationalist and Communist elements. In any case, the present situation is a further indication of growing Communist activity designed to create maximum political unrest and economic dislocation in Southeast Asia.)

- 2 -

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EUROPE

1. FRANCE: Strikes thought Communist test--US Ambassador Caffery has been told by Premier Schuman that the French Government believes the recent strikes at Clermont Ferrand to be a "try-out" by the Communists to see whether the Government would react vigorously. Caffery comments that the Government did react vigorously and Schuman expects "no particularly disagreeable aftermath."

Communists not to undertake trial of force--The US Military Attache has learned from a reliable source that the French Communist Party Politburo has decided that the Party should not at this time undertake a trial of force against the Government. The Politburo is reported therefore to have given General Confederation of Labor (CGT) leaders at Clermont Ferrand full latitude in present negotiations, but with the understanding that they will obtain a CGT prestige victory. The Politburo is also reported to have decided that movements in support of wage demands should be accelerated and should be accompanied by strikes of attrition. (The MA's informant reported that the Communist leaders decided on a one-hour general strike on 19 June as a test of the willingness of the entire working class to support CGT action.)

Government may put on end to sit-down strikes--US Embassy Paris has been reliably informed that French Interior Minister Moch is determined to put an end to the practice of sit-down strikes. The Embassy's informant, a high official of the Ministry of Interior, observed that such action would constitute a fundamental alteration of French policy and might prove extremely embarrassing to non-Communist labor leaders.

(CIA Comment: The Government will probably defer action on Moch's decision until the attitude of the Communists becomes clarified. Government action at present, before discussion of revision of the present wage scale, would probably cause sympathetic strikes by non-Communist labor.)

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Auth: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

- 1 -

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2. AUSTRIA: Government wants continued firmness toward USSR--  
US Minister Erhardt reports from Vienna that the UK representatives there are expressing apprehension lest the boldness of the Austrian Government in its relations with the USSR might lead the latter to take retaliatory measures and abandon cooperation with the other occupying powers. Austrian Foreign Minister Gruber is distressed by this British attitude and holds that the Austrian Government and the representatives of the western powers in Austria must show a firm front to the USSR and leave no possibility of Soviet illusions as to the resistance that would be offered to aggressive Soviet action. Erhardt considers this Austrian view more realistic than that of the British and believes that the Austrian Ministers, who are showing considerable courage in a very exposed situation, deserve better than vacillating support in their attitude toward the USSR in Austria.

- 2 -

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## GENERAL

1. Shift in British thinking on Palestine--US Ambassador Douglas in London reports that the conviction is growing among all levels of the British Foreign Office (as well as among British Arab experts outside the Government) that the early establishment of "a small, compact sovereign Jewish state" in Palestine would be in the best interests of the Arabs. Douglas attributes this shift in British thinking to the contrast between Jewish efficiency in setting up and defending Israel and the Arab counter-performance. Douglas considers it likely that this new attitude may become the British "official line" at some later stage in developments, possibly when the Arab governments seek British advice in the mediation talks under Count Bernadotte.

(CIA Comment: Even if the Arabs could be persuaded to accept the principle of a Jewish state in Palestine, it is doubtful whether agreement could be reached between them and the Jews on the area to be included in such a state.)

2. Spaak satisfied with French action on Germany--According to US Ambassador Kirk, Belgian Prime Minister Spaak feels that the action of the French Assembly in accepting the London recommendations on Germany is very satisfactory. Spaak believes that the French reservations, which he regards as "completely face-saving," are unlikely to cripple the implementation of the agreements.

## EUROPE

3. FRANCE: Next three months believed critical for Government--US Embassy Paris reports that a majority of political leaders and qualified observers believe the Schuman Government has little chance to survive the next three months unless the Cabinet is soon reshuffled. Foreign Minister Bidault expects to be forced out of office within a few days as a result of his position on the London recommendations, although the Embassy believes

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028~~CONFIDENTIAL~~  
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that Premier Schuman will try to prevent this. The Embassy observes that of the various hurdles which the Government must surmount between now and August, the most serious is the problem of wages and prices, particularly in relation to the price of coal. The Embassy says that the Cabinet is split on how to handle this question. The Embassy reports a general belief that if the Schuman Government can remain in power until Parliament adjourns in the latter part of August, the Government will probably be able to last until after the October elections.

(CIA Comment: Although Bidault's prestige has undoubtedly been damaged by the widespread censure, both public and parliamentary, of his sponsorship of the London recommendations, there is as yet no concrete evidence to indicate that steps are being taken to replace him.)

4. **YUGOSLAVIA: Challenge to Kremlin authority seen--US Charge Reams in Belgrade** believes that Yugoslav insistence upon Belgrade as the site of the Danubian Conference, instead of some other Satellite capital as proposed by the USSR, represents the first direct and irrevocable challenge by a Satellite to the Kremlin's supreme authority. According to Reams, Soviet acceptance of Tito's request reflects the Kremlin's belief that Tito's position is strong enough to require the "traditional gradual undermining."

(CIA Comment: CIA agrees that the Kremlin will not take any drastic steps immediately to "discipline" Tito. However, this incident has highlighted for the Kremlin the need for reconciling within the Satellite states the conflict between national interests and international Communism. Consequently, the USSR may either tighten its controls over the Satellites by expanding direct Soviet participation in Satellite governments or attempt to ease the "nationalist" opposition among Satellite Communists by making some economic concessions.)

- 2 -

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718

GENERAL

1. French move toward implementing London agreements--The UK Foreign Office has informed US Ambassador Douglas of its receipt of a note from the French Government which: (a) accepts the London recommendations on Germany; (b) calls attention to the reservations attached by the French Assembly; and (c) declares that France will continue to press for solutions to German problems in accordance with the views expressed by the French Assembly. The French Ambassador in London has told the UK Foreign Office that the Assembly's reservations do not impede the immediate application of the London agreements. Douglas reports that the Foreign Office has also received a French communication which suggests that further discussions be held as soon as possible on making more precise the security principles of the London agreements. The communication states that the French Government regards international ownership of the Ruhr mines and basic industries as the best solution to the Ruhr problem.

(CIA Comment: CIA believes that if the French remain adamant on international ownership of the Ruhr mines and industries, German cooperation in a provisional western German government will be further reduced and industrial production in western Germany will be adversely affected with serious consequences to the European recovery program.)

EUROPE

2. FRANCE: Discord on French strategic plan--The US Military Attache in Paris has learned from General Revers (French Chief of Staff) that Premier Schuman recently issued a military directive ordering that the French national strategic concept be oriented toward a defense of North Africa rather than a defense of the Rhine and the area east of the Rhine. According to the MA, this decision has created consternation in French military circles, and top French Army and Navy leaders are threatening to resign if Schuman insists on implementing the directive. The MA reports that Schuman is expected to reverse his decision.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 078

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3. **GERMANY: Raw materials in French Zone dangerously short--** US Commanding General Clay expresses the emphatic view that the French Zone in Germany is dangerously lacking in raw materials with which to provide employment during the initial period of currency reform and that German social unrest is certain to develop, which "will have adverse political effects in all of western Germany and hence on European recovery." Clay believes that the French occupation policy has so exhausted the economy of the Zone that little remains to tide the inhabitants over the difficult initial period of the currency reform. Clay urges, therefore, that every effort be made to get materials quickly into the French Zone under the European recovery program.

(CIA Comment: CIA believes that even if the immediate crisis is resolved, the French Zone will continue to be a burden upon the US, a source of trouble in western Germany, and an excuse for further French demands as a consequence of western German fusion.)

4. **AUSTRIA: Implications of Marek arrest--** US Legation Vienna believes that the Soviet arrest of Marek, high official of the Austrian police, may be the opening of a major Soviet attack against the Austrian Ministry of Interior, possibly for the purpose of crippling the Ministry and terrorizing the Government. The Legation reports that Marek was a key official who was charged with special investigations of Communists in the Austrian police, Soviet factory guards in oil installations, and Communist subversive activities; that he dealt in military and political intelligence from Satellite countries, but that he could in no way be considered an agent of a western power. The Legation believes that the possible implications of Marek's arrest are so serious that the Austrian Government should be given fullest support and that the Austrian protest should be pressed in the Allied Council.

(CIA Comment: CIA concurs in the view that the Soviet move has serious implications. CIA believes that this Soviet move is directed not only toward halting the purge of Communists

- 2 -

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from the federal police and weakening the Interior Ministry but is calculated to impress upon the Austrians the capabilities of the Soviet occupation authorities and thereby cut short the current barrage of Austrian protest notes and anti-Soviet speeches and articles.)

- 8 -

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## GENERAL

1. US inclined to favor compact Israeli state--The Department of State has informed US Ambassador Douglas in London of its preliminary and tentative inclination toward a solution of the Palestine problem through re-drawing the Israeli frontiers in order to form a compact and homogeneous state. The Department also envisages the possibilities of: (a) setting up Jerusalem as an international city; (b) transferring most of the remainder of Palestine to Transjordan with population exchanges where necessary; and (c) establishing a customs union between Israel and Transjordan, with a mutual guarantee of frontiers underwritten by the UN. Meanwhile, the Department has instructed Douglas to inform the UK Foreign Office that the US welcomes the British desire to concert the views of both governments on Palestine and hopes that a common policy may be evolved. Douglas is to say that the US shares the reluctance of the UK to resort to sanctions in achieving a settlement and agrees to the necessity for extending the present four-week truce if a solution is not found before its expiration.
  
2. US favors re-opening Haifa oil refinery--The Department of State has also informed Douglas that it shares UK Foreign Minister Bevin's concern over the closing of the important oil refinery at Haifa. The Department sees no impropriety in placing the matter before UN Mediator Bernadotte but feels that, in accord with the truce, the refinery output should not be used to increase the military potential of the belligerents.

## EUROPE

3. ITALY: USSR presses issue of ship contracts in Italy--US Ambassador Dunn has learned that the Soviet Commercial Attache in Rome has accused the Italian Foreign Office of preventing the conclusion of Soviet contracts with Italian ship-builders. The Italian Foreign Office expects the Italian Communists to bring this question to public attention within a

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- 1 -

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14 MAR 1978 By: 028

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few days. The Foreign Ministry is planning to request that the Cabinet approve Italian shipbuilding contracts amounting to about 15% of the program which the USSR has suggested.

(CIA Comment: The Italian shipbuilding firm, Ansaldo, has reportedly set exorbitant prices for such construction. Acceptance of these figures by the USSR would be motivated by one or more of the following factors: (a) the urgency of Soviet shipping needs; or (b) the importance to the USSR of pro-Soviet propaganda in Italy; or (c) Soviet hopes for applying shipbuilding payments to the Italian reparations account of the USSR.)

#### FAR EAST

4. CHINA: Communists may face severe food shortages--US  
Consul General Mukden reports that the Chinese Communists in Manchuria will be faced with severe food shortages during the coming winter. The Consul declares that a US observer who recently flew over the rich central Manchurian plains between Mukden and Changchun saw no cultivation there. He further indicates that even if the Communists have large grain stores, the failure to cultivate available farm land will indirectly place a great strain upon Communist transportation and will slow down Communist military operations, thus affording the Nationalists a breathing spell.

(CIA Comment: Although reported food shortages may possibly slow down Communist military operations, CIA believes that the supply difficulties facing the Nationalists are at least as serious as those confronting the Communists and that there will be no immediate change in the course of the civil conflict in Manchuria.)

- 2 -

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**THE AMERICAS**

5. **ARGENTINA: Government may face a crisis--US Ambassador Bruce reports that the Peron administration is aware that it may soon be facing a crisis resulting from the acute dollar shortage and chaotic financial and economic situation. Bruce believes that if Peron were overthrown, such action would probably be taken by the army.**

(CIA Comment: CIA believes that the atmosphere of crisis precipitated by Argentine disappointment over failure to receive expected dollars from ECA purchases will not result in an overthrow of the present Government. Peron will probably be forced to rely more heavily on army support, and it is probable that propaganda will be increasingly directed against the US as the scapegoat for Argentina's present difficulties.)

- 3 -

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GENERAL

- 1. Implications of Soviet-Satellite conference--US Embassy Warsaw believes that the current Soviet-Satellite meeting in Warsaw may have been called primarily to enable the eastern European powers to present a united answer to the London Conference on Germany. The Embassy concludes that the conference will be used as a major propoganda device to prove that the peoples of Europe overwhelmingly desire a "peaceful, democratic" solution of the German problem.

(CIA Comment: CIA concurs with the Embassy's estimate and also considers it probable that an "Eastern Union" will be formed, avowedly to protect the USSR and its Satellites against aggression from a resurgent Germany sponsored by the West. CIA also believes that at this conference the USSR may inform the Satellites of its intention: (a) to establish a provisional government for eastern Germany to coincide with the one contemplated for western Germany; or (b) to attempt to neutralize Germany's contribution to the European recovery program by expressing a desire, possibly couched in face-saving terms, to reach agreement on Germany with the West.)

- 2. US proposes talks on European security--The Department of State has advised the British, French, Canadian, Belgian, and Netherlands Governments of its willingness to begin joint exploratory talks on 29 June pursuant to the Vandenberg Resolution. The US contemplates an exchange of views on: (a) the situation in Europe as it affects security, including estimates of Soviet intentions; (b) security measures taken and to be taken by the signatories of the Brussels Pact; (c) security relations with other western European countries; and (d) the nature of the US association with European security arrangements under the Vandenberg Resolution.

- 3. Reported views and plans of Mediator Bernadotte--The US delegation to the UN has been confidentially informed by Secretary General Lie that Palestine Mediator Bernadotte views the situation as follows: (a) although the belligerents have unwillingly

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PDA Memo, 4 Apr 77

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accepted the truce, they will be careful not to break it; and (b) because both parties remain hopeful concerning their prospects, it will be impossible to obtain an agreed solution before the expiration of the truce. Bernadotte indicates that he will therefore endeavor to gain time by making vague proposals calculated to prolong the truce rather than firm and precise proposals which, if rejected, would mean that the recalcitrant party would refuse to extend the truce. The UN Mediator will also strive to obtain agreement for the demilitarization of Jerusalem and the Holy Places; he regards a minimum of 1,000 UN armed guards to be essential for the protection of Jerusalem.

#### EUROPE

4. GERMANY: Soviet solution for Berlin problems suggested-- US Ambassador Murphy reports from Berlin that the Soviet chief of liaison and protocol has suggested informally to the US Liaison officer that possibly an adjustment of present zonal lines in Germany could be made in order to eliminate the friction caused by US-Soviet contact in Berlin. Murphy indicates that this suggestion came during a general conversation, in the course of which the Soviet officer asked whether the US was not "skating on very thin ice" in relation to the danger of war. The Soviet officer evaded any specific answer as to whether the suggested "readjustment" would involve US withdrawal from Berlin in exchange for parts of Saxony and Thuringia. Murphy attaches significance to this suggestion because the Soviet officer is known to be an intimate of Marshal Sokolovsky. Murphy believes that the suggestion may indicate a Soviet desire to bargain rather than force the present issue.

(CIA Comment: CIA believes that the conversation is a feeler to test US determination to: (a) continue its present policies in Europe in the face of Soviet threats; and (b) remain in Berlin even if offered a face-saving chance to get out.)

- 2 -

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5. **FRANCE: Dispute between Foreign Office and Military Governor--**  
US Embassy Paris has learned from a "reliable and friendly official" that a serious dispute between Foreign Minister Bidault and the French Military Governor in Germany has resulted from the request of the Governor that he be sent instructions at variance with the terms of the London agreements. According to the Embassy's informant, the Foreign Office is insisting upon compliance with the terms of the London agreements, even if it means the replacement of the Military Governor who is known to be a strong supporter of General De Gaulle and may therefore share De Gaulle's hostility to the London agreements.

(CIA Comment: CIA believes that the Government will continue to take a strong stand with respect to compliance with the principles of the London agreements.)

- 3 -

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EUROPE

1. GERMANY: French view on Berlin crisis--A high official of the French Foreign Office has expressed to US Ambassador Caffery his personal views that: (a) the western powers erred seriously when the Berlin crisis first arose by overstressing the importance of remaining in the city and announcing that they would remain at all costs; (b) Berlin is not in fact "any more quadripartite" than western Germany, in which quadripartite control has long been abandoned; and (c) in the face of aggressive Soviet action, the western powers would encounter almost insuperable difficulties in Berlin and, even if able to maintain military and governmental forces, they could not avoid a decline in prestige through remaining there.

(CIA Comment: CIA believes that even though a slight decline in prestige of the western powers would result from their remaining in Berlin in the face of Soviet aggressive action, such a loss would be far less than that they would suffer through a withdrawal. Moreover, any apparent weakening of tripartite solidarity on the Berlin situation would greatly reinforce Soviet determination to drive the western powers from the city.)

2. GREECE: UNSCOB concern over Greek-Bulgarian negotiations-- A member of the US delegation to the UN Special Committee on the Balkans (UNSCOB) expresses the view that the UN Secretary General gave at least tacit concurrence to Satellite non-recognition of UNSCOB by failing to consult UNSCOB before accepting Bulgaria's announcement of its willingness to negotiate with the Greek Government for the resumption of diplomatic relations. The representative feels that if the present Greek Army offensive is successful, the USSR will be able at the September General Assembly meeting to advocate the complete suppression of UNSCOB on the grounds that "a UN watchdog" is unnecessary because: (a) the army's victory proves that the Satellites are not aiding the guerrillas; (b) the initiative taken by Bulgaria in proposing negotiations with the Greek Government is indicative of its peaceful intentions; (c) the Greek Army itself is in a position to seal the northern border; and (d) negotiations are already being conducted without UNSCOB assistance. Resubmit No.          07B

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DDA Memo, 4 Apr 77

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NEAR EAST-AFRICA

3. PALESTINE: Jewish extremists increasingly active--US Consulate General Jerusalem reports that during the past few days Irgun Zvai Leumi and the Stern Gang (Jewish extremist groups) have become increasingly active in Jerusalem. Both groups have, in contravention of the UN truce terms, brought reinforcements, arms, and supplies into the city and have taken over strategic areas which they are converting into fortified enclaves. The Consulate General has learned from various sources that the USSR is providing the Stern Gang with arms and money through the Satellites, particularly Poland. These sources also believe that the USSR will make every effort to increase its support as an effective means of gaining a foothold for subversive activities in Israel. The Consulate General feels that the Jewish extremists may become increasingly embarrassing to the Israeli authorities and may attempt to thwart any effort to settle in a reasonable way the present Jewish-Arab impasse.

- 2 -

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GENERAL

1. Soviet-Satellite military conference reported in Prague--  
 The US Military Attache in Prague reports that military representatives from the USSR, Yugoslavia, Rumania, and Bulgaria concluded a secret conference in Prague on 20 June. The MA believes that, in view of the forthcoming Danubian Conference, the main topics of discussion may have been: (a) plans for defense of the Danube and its use as a military supply route; and (b) "general mutual defense measures."

(CIA Comment: In view of the recent Warsaw meeting, such an overall military conference of the Satellites would seem logical at this time. The fact that Poland and Hungary were apparently not represented suggests, however, that the meeting may have been called primarily to discuss plans for the allocation of Czechoslovak arms production to the Balkan Satellites.)

EUROPE

2. GERMANY: Tension growing among Berlin population--US  
 Ambassador Murphy observes an increasing tension among the population and allied personnel in Berlin. Murphy says that a casual remark by General Clay to the effect that the USSR will not be able to drive the US out of Berlin by any act short of war is being interpreted in Berlin as an ultimatum. Murphy indicates that the city's population is feverishly engrossed with two questions: (a) "will the western allies stay and try"; and (b) "will the food supply be assured?" Murphy reports that the western sectors of the city now have stored sufficient food to meet minimum ration requirements for about six weeks and that the fuel supply necessary for light, power, and water will last approximately three weeks.

(CIA Comment: CIA considers that: (a) the Berlin population is basically anti-Soviet; and (b) the people of Berlin will, from the point of view of self-interest, support the stand of the western powers against Soviet pressure unless it becomes obvious that the US can no longer feed the Germans of the Berlin sector and that a US withdrawal is inevitable.)

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3.3(h)(2) 3. USSR: Trainload of German officers near Moscow--The US Military Attache in Moscow transmits [redacted]

[redacted] a report that a special train carrying between 300 and 400 men wearing German officer uniforms was seen near Moscow on 24 June. The MA comments on the unusually high priority given to the "rapid movement of these officers." He speculates that the officers "may be destined for Germany for possible use in a separate government in the Soviet Zone."

4. TRIESTE: New Communist strategy--US Political Adviser Joyce reports that the Communist Party in Trieste, following a period of considerable confusion since May Day, has issued new directives for Party strategy and tactics in the US-UK Zone. Joyce states that the new line calls for: (a) exploitation of serious differences which it is asserted have arisen between the US and UK; (b) maximum sabotage of the European recovery program; (c) continued demand for popular elections in an attempt to demonstrate the failure of the US and UK to respect the provisions of the Italian peace treaty; and (d) propaganda emphasis on a promise that Yugoslavia will demand UN approval for the incorporation of the Free Territory of Trieste into the Yugoslav republic.

- 2 -

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## EUROPE

1. GERMANY: US to maintain firm stand in Berlin--The Department of State has informed US Ambassador Douglas that the US is prepared to continue its unprovocative but firm stand in Berlin, utilizing to the utmost the propaganda advantages of the situation. The Department agrees to Foreign Secretary Bevin's proposal to maintain a complete exchange of information on the German situation through US Embassy London. Douglas is authorized to inform Bevin that the US may wish to send several B-29 bomber groups to the United Kingdom.

Douglas reports from London that Bevin has expressed a personal view that withdrawal of the western powers would have serious, if not disastrous, consequences in Germany and throughout Europe. Douglas has learned that Bevin will address the House of Commons on 29 June and take a line of "complete firmness" toward the situation in Berlin.

US Ambassador Caffery reports that a high official of the French Foreign Office has stated his strong belief that withdrawal from Berlin could be considered only if some "very important" counter concession were granted by the USSR to offset the "tremendous loss" of prestige such a withdrawal would imply.

Berlin economic ties with West seriously weakened--US Ambassador Murphy points out that one of "the more serious problems" in the present situation in Berlin is that Soviet interference with freight shipments to the West has piled up in Berlin so large an amount of manufactured goods that many Berlin firms may be forced within the next two or three weeks to suspend production, thus creating unemployment. Murphy indicates that Soviet Zone authorities are approaching firms in the Berlin western sector with offers to buy their production. Murphy says that unless a break in the traffic situation occurs soon, western Berlin industry will be geared into Soviet zonal production; consequently, the western powers will lose not only the industrial output they now obtain from Berlin but also effective control and influence over industries and workers.

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(CIA Comment: CIA concurs in the view that the feeding of Berlin by the western powers will not in itself be sufficient to offset the threatened Soviet control of the economic life of the city and that a solution must be found to the traffic and unemployment deadlock.)

### FAR EAST

2. CHINA: Rapid deterioration in Nationalist position--The US Military Attache in Nanking reports that recent events in China indicate a "rapid deterioration and loss of control by the National Government." The MA cites the following events: (a) the soaring of the black market exchange rate to over five million Chinese dollars for one US dollar (an 100% increase in 48 hours); (b) the temporary loss of Kaifeng (capital of Honan province) to the Communists; (c) rice riots in Chungking; (d) the resignation of all police officers in Peiping following an attack upon the police commissioner there; and (e) clashes between Nationalist soldiers and civil police in Tientsin. The MA connects the rapid rise of the black market exchange rate to an "unconfirmed rumor" in Shanghai that Chiang Kai-shek is in custody in Sian. In reporting the existence of such a rumor, US Embassy Nanking declares that it is "highly skeptical" that the rumor has any basis in fact.

- 2 -

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## GENERAL

1. UK Cabinet approves non-withdrawal from Berlin--Foreign Secretary Bevin has informed US Ambassador Douglas in London that the British Cabinet has approved unanimously and without qualifications "a policy of clear and unquestioned determination to remain in Berlin." Douglas reports Bevin's view that the US and UK should mobilize their air transport strength to the greatest possible extent in order to supply the civilian population of Berlin. According to Douglas, Bevin feels strongly that such an exhibition of power would greatly reinforce the morale of the Germans in Berlin and effectively demonstrate to the USSR and the Satellites the power of the US and the UK. Bevin believes the Kremlin would shortly reopen the lines of communication to Berlin when it learned that such a "spectacular performance" was possible.
  
2. Major Soviet offensive within two years held unlikely--The US Military and Naval Attaches in Bucharest express the view that although there are unmistakable signs that the USSR is making long-range preparations for war, the Kremlin will not launch a major offensive within the next two years. The Attaches base their time estimate upon the following considerations: (a) Soviet reconstruction in Rumania is not yet completed; (b) Satellite armed forces will have matured within two years; (c) supply of vital technical industrial equipment cannot be accomplished before 1951, or even later; and (d) the construction of projected air bases and facilities, particularly for strategic bombardment, will require several years.

(CIA Comment: CIA concurs in these views. Recent estimates by other US observers in eastern Europe are in fundamental agreement with the analysis of the Military and Naval Attaches in Bucharest.)

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EUROPE

## 3. GERMANY: USSR prepared to exploit "revolutionary situation"

3.3(h)(2)

The Communist-dominated Socialist Unity Party is secretly planning to set up action committees in Berlin for activation upon pre-arranged signals. [redacted] the Communists main-

3.3(h)(2)

tain that the currency reform in Berlin is creating a "revolutionary situation" which must be utilized to bring about the withdrawal of the western allies from the city [redacted]

3.3(h)(2)

[redacted] the Communists intend that the "German revolutionary masses" carry out strikes and demonstrations about 1 July, in order to give the impression that the position of the western powers has been made untenable through the will of the German population. Commanding General Clay transmits from an "unimpeachable source" a report that the Communists also plan to seize key points in the western sectors of Berlin. [redacted]

3.3(h)(2)

[redacted] the Communists believe capitulation of the western powers must be forced promptly, lest western propaganda compel the USSR to abandon the blockade on food and electricity and thereby damage Soviet prestige.

(CIA Comment: CIA believes that until the determination of the German population is weakened by hunger as a direct consequence of a prolonged blockade of food shipments, the anti-Soviet attitude of the western sector population will render ineffective Communist attempts to exploit the present situation.)

4. FRANCE: Communist press moderate on Berlin--US Ambassador Caffery interprets the fact that French Communist publications have taken a comparatively moderate view of the present situation in Berlin as an indication that the Kremlin is not yet prepared to adopt a completely uncompromising attitude toward the Berlin issue. Caffery reports that the more "extreme elements" among French and Soviet Communists in Paris believe that the efforts of the USSR in Germany should be directed primarily toward forcing a withdrawal of the western powers from Berlin. Caffery believes that the moderate views, as expressed in the French Communist press, may reflect more accurately the attitude of the Kremlin.

- 2 -

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(CIA Comment: CIA believes that the USSR is not yet prepared to force a definite "showdown" in Berlin and that current Soviet measures there may be designed to force the western powers into negotiations which would give the Soviet Union another opportunity to raise the questions of quadripartite control for all Germany and Soviet participation in the Ruhr.)

#### FAR EAST

5. MALAYA: British seriously concerned over situation--  
US Consulate General Singapore reports that serious concern is being privately expressed by British officials in the Malay Federation over the terrorist methods being used in the current disturbances and the extent of the areas affected. The US Consul at Kuala Lumpur indicates that a British military spokesman believes widespread military operations will be necessary to quell the disturbances. The local police at Kuala Lumpur have suggested that the US be approached in order to obtain weapons and ammunition.

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- 3 -  
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## GENERAL

1. US, UK, and France to consult on Berlin problem--The Department of State has notified US Ambassador Douglas in London that the US agrees to the French Government's request, endorsed by UK Foreign Secretary Bevin, for consultation in London "as soon as practicable" on the Berlin problem.
2. Estimate on US-UK air lift to Berlin--US Ambassador Douglas transmits an estimate that the US-UK air lift to Berlin after 1 July will amount to about 1,250 tons a day, or roughly 36,000 tons a month. Douglas warns, however, that this estimated capability may be affected by weather conditions and other factors. The Department of State has informed Douglas that US military authorities believe that it would be difficult to make an estimate at the present time on the air lift and feel that the revelation of such data to the USSR, as Foreign Secretary Bevin proposed to do in a statement before the House of Commons, would perhaps be unwise.

(CIA Comment: Although minimum food and coal needs have been estimated at 4,000 tons daily--2,000 food and 2,000 coal--the 100% increase over previous estimates of 600 to 750 tons strengthens the possibility that starvation in the city can be further delayed.)

3. Spaak suspects USSR seeks basis for negotiations--Belgian Premier Spaak has expressed to US Ambassador Kirk the view that the recent communique issued by the Soviet-Satellite meeting in Warsaw includes some indications that on certain points the USSR is seeking some basis upon which negotiation might be possible. Spaak feels that the western powers should demand a clarification of the "Warsaw communique," both to verify this possibility and to make clear to the German people the "barren and scanty performance" of the USSR. Spaak fears that unless the communique is answered soon, the western powers may appear "too adamant and too unresponsive."

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4. Implications of possible approach to west by Tito--The US Military and Naval Attaches in Belgrade, in raising the question of possible approaches by Marshal Tito for US support against the USSR, recommend the "boldest possible exploitation" of any such defection in "the keystone of the Soviet-Satellite structure." The Attaches believe that in withstanding Soviet pressure Tito would have good prospect of success if given full support from the west. The Attaches, however, recommend that the US take action only through propaganda until approached by the Yugoslavs.

(CIA Comment: Although Tito may extend cautious feelers to the west, it is more probable that he will postpone any direct request for western support until the Kremlin has definitely closed all further avenues for a rapprochement. If the Kremlin denies the implied request for direct contact made in his 29 June answer to the Cominform resolution, Tito may then be forced to seek western aid against Soviet retaliation.)

5. US to consider Norwegian and Danish security--The Department of State has instructed the US Ambassadors in Oslo and Copenhagen to assure the Norwegian and Danish Governments that the security of those countries will be "much in mind" during the exploratory discussions (which will begin 6 July) pursuant to the Vandenberg resolution. The Department hopes that no action will be taken to render more difficult Norwegian and Danish --and eventually Swedish-- participation in western European security arrangements in association with the US.
6. US UN delegation estimate of Palestine situation--The US delegation to the UN, in an extended comment on the Palestine situation, reports that key UN delegates are agreed that sooner or later UN Mediator Bernadotte will be confronted with basically extreme and irreconcilable Jewish and Arab positions and that at this point US-UK influence will be essential to bring the Jews and Arabs together. The delegation feels that: (a) prolongation of the truce--preferably a six-month extension--is essential to

- 2 -

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working out a settlement; (b) full sovereignty for Israel is a minimum requirement for peaceful adjustment; (c) Abdullah is the chief bargaining factor on the Arab side and consequently Transjordan should receive US recognition; and (d) the boundaries of Israel recommended in the UN partition resolution should be revised and guaranteed internationally.

Prolongation of truce considered unlikely--The Saudi Arabian Deputy Foreign Minister has told US Minister Childs in Jidda that he is "under the impression" that the Arab states will not accept a prolongation of the UN Palestine truce. Meanwhile, US Charge Patterson in Cairo reports that Arab League officials, including Secretary General Azzam Pasha, are pessimistic over the prospects of the acceptance by either Arabs or Jews of the "peace proposals" drawn up by UN Mediator Bernadotte.

#### EUROPE

#### 7. GERMANY: Alleged plans for east German government-

3.3(h)(2) [redacted] (a) an east German government, to be called an "All German Government," will be announced in the near future; (b) Otto Nuschke, member of the Christian Democratic Union and co-chairman of the Volksrat (People's Council), will be the Prime Minister; (c) indications are that the USSR intends to have the Volksrat emerge as a ready-made government; and (d) the co-secretary of the Volksrat is working on a draft peace treaty which must be ready for submission to the People's Congress in September.

(CIA Comment: CIA believes that the USSR has drawn up plans for an east German state which, in its provisional nature and approximate timing, will ostensibly parallel the scheduled west German government. The implementation of the Soviet plan, however, probably will be delayed until the USSR can "justify" its action by claiming that the western powers have ignored the plea for German unification in the Warsaw communique.)

- 3 -

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