

49

~~TOP SECRET~~

803

GENERAL

1. US Embassy Moscow counsels firmness in Berlin--US Embassy Moscow expresses the hope that military leaders of the western forces in Berlin will no longer feel restrained from taking all countermeasures necessary to prepare the Berlin western sectors for indefinite operation under full control of the western powers. The Embassy believes that such a demonstration of determination would not prejudice the presentation of the Berlin case to the Security Council but might have a "healthy influence" on the Soviet attitude both in the Security Council and in Berlin.

S - TS

2. Dutch may accept US plan for Indonesian talks--The Dutch delegation to the UN Good Offices Committee (GOC) in Batavia has unofficially informed the US delegation of the Dutch Government's conditional acceptance of the US plan as a basis for the resumption of GOC negotiations. US Embassy The Hague reports that the Dutch are continuing discussions in the Netherlands with non-Republican Indonesians with a view to developing some substitute for a solution by the GOC.

CIA - Conf
CIA - S

(CIA Comment: The apparent success the Indonesian Republic has had in coping with the Communist revolt should materially strengthen its position in renewed negotiations. Continued Dutch attempts to form an interim government with non-Republican Indonesians before an agreement has been reached with the Republic are likely to precipitate another crisis in GOC negotiations.)

72#4

Document No. 001
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

- 1 -

~~TOP SECRET~~

~~TOP SECRET~~

A N N E X

1 October 1948

RIFT IN THE ARAB LEAGUE

The formation of a Palestine Arab Government (PAG) has caused a serious rift in the Arab League, which may lead even to open hostilities between the Arab Legion of King Abdullah of Transjordan, who is violently opposed to the PAG, and Arab guerrilla bands under the Grand Mufti, who strongly supports the PAG. In sponsoring the PAG, the majority of the Arab League states (especially Egypt and Syria) seek to: (a) establish a government which can speak for an Arab Palestine vis-a-vis Israel before the UN; (b) shift the main responsibilities for developments in Palestine from themselves and their armies to the new state; and (c) frustrate Abdullah's plan to incorporate Arab Palestine into Transjordan.

Abdullah is in a strong position because his Arab Legion already occupies much of central Palestine, the Bernadotte plan recommends that Arab Palestine be annexed to Transjordan, and the UK is making vigorous representations to the other Arab States in support of Abdullah's claims to Arab Palestine. However, the Mufti's guerrilla bands, together with the formation of the PAG, are a serious threat to Abdullah's position.

A critical factor in the situation will be the attitude of Iraq, traditionally an ally of Transjordan but now under great pressure from the Arab League to alter its alignment. With Iraq's backing, Transjordan can flout the rest of the Arab League. However, if Iraq recognizes the PAG, Abdullah will probably be unable to make good his claims to Arab Palestine.

- i -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

- 1. Possible Soviet reversal on Palestine--US Embassy Moscow has been informed by an Arab source that Soviet Deputy Foreign Minister Zorin told him that the Soviet position concerning Palestine is now subject to review because the partition plan of 29 November 1947 is not being carried out. The implication, according to source, was that a dramatic Soviet reversal might take place if the UN General Assembly attempted any solution for Palestine other than reaffirmation of its original resolutions.

(CIA Comment: CIEA does not believe that the USSR will change its support in the General Assembly from the Israelis to the Arabs. CIA believes, however, that the Soviet Union will oppose the adoption of a solution based on the US-UK supported Bernadotte proposals and will insist upon the original UN partition plan.)

- 2. Netherlands accepts US proposals--The Department of State has informed US Consul Batavia that the Netherlands Government has accepted the US plan as a basis for further negotiations with the Republican Government. The Department feels that the conditions attached by the Dutch to their acceptance of the proposals are "eminently reasonable."

EUROPE

- 3. FRANCE: Coal strike reported inevitable--US Embassy Paris has been advised by a high official of the Interior Ministry that the general coal strike scheduled for 4 October by the Communist-controlled General Confederation of Labor (CGT) now appears inevitable. This official believes that the Communists are determined to provoke a test of strength between the CGT and the Government and that a deadlock will result because the Government cannot yield without losing more

Document No. 002

- 1 - NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S

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

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

prestige than it can now afford. The Ministry official further reports that Communist strategy calls next for strikes among dockworkers, designed especially to paralyze coal imports.

(CIA Comment: CIA concurs that the CGT has planned the coal strike as a critical test of strength with the battered Queuille Government and believes that recent CGT successes in exploiting the economic grievances of the French workers enhance the appeal of the CGT to non-Communist labor.)

NEAR EAST-AFRICA

4. **INDIA: Pakistan asked to withdraw troops from Kashmir--**
According to US Embassy Karachi, the Government of Pakistan has received a telegram from Prime Minister Nehru of India declaring that the presence of Pakistan troops in Kashmir, which has been confirmed by the UN Kashmir Commission, constitutes an "act of aggression against the Indian Union" that can only lead to conflict. Nehru asks that Pakistan withdraw its troops immediately. The Embassy believes that the US should clearly indicate to the Government of India that "an attack on Pakistan or an attempt to eject Pakistan troops from Kashmir territory while the Kashmir dispute is still before the UN Commission will be strongly opposed by the US Government."

~~TOP SECRET~~

49

~~TOP SECRET~~

805

GENERAL

- 1. British attitude held obstacle to European "union"-- According to US Ambassador Kirk, Belgian Prime Minister Spaak believes that the attitude of the UK Government is an obstacle to the active pursuit of a United States of Western Europe. Spaak feels that not only do the British draw back from taking political leadership in such an organization but their attitude in economic matters is so negative as to jeopardize the whole idea.
- 2. UK policy regarding arms sales to Sweden--The Department of State has informed US Embassy Stockholm that an aide memoire has been received from the UK Government concerning its policy of supplying Sweden with military equipment. The British consider that present policy should not be changed and that pressure on the Swedes to abandon isolationism is useless at present because the UK is unable to offer Sweden a firm guarantee of support in the absence of security arrangements among the western powers. The UK has accepted aircraft orders from the Swedes on the basis that: (a) allied orders are insufficient to keep the British aircraft industry on a desired high production level; (b) orders should be accepted from friendly countries that are important to the defense of the UK, provided that allied procurement is not interfered with; and (c) the exports are important to the British economy.

CIA - Sec



(CIA Comment: In thus opposing US policy, which aims at dissolving Swedish isolationism by withholding military support so long as Sweden rejects strategic association with the western powers, the British are probably motivated both by concern for their own economic exigencies and by their view that withholding equipment will not at this time provide sufficient pressure to cause Sweden to abandon its neutrality.)

EUROPE

- 3. FRANCE: USSR may finance French coal strike--According to US Embassy Paris, the French Interior Ministry has been authentically informed that Communist Party Leader Duclos recently told the French Communist Party: (a) the USSR

CIA - Sec

Document No. 003

- 1 NO CHANGE in Class.

DECLASSIFIED

TOP SECRET CHANGED TO: TS S

Auth: DDA Memo, 4 Apr 77

Date: DDA REG. 77/1763

Date: 16 MAR 1978 628

~~TOP SECRET~~~~CONFIDENTIAL~~

considers it absolutely necessary for the Communists to re-enter the French Government; and (b) the USSR will finance the French Communist Party in order to achieve this aim and possibly will support the French coal strike. A trustworthy trade union official has informed Embassy Paris that the Communists hope to prolong the coal strike for two or three weeks and thus deliver a severe blow on the eve of winter. Source said that the Kremlin has arranged for the halting of shipments of coal from Poland to France during this strike.

(CIA Comment: CIA believes that the Communist strategy of trying to obtain a "Popular Front" Government by inducing economic and political chaos would be materially advanced by Soviet financial aid. It is unlikely, however, that the Center and Right would consent to admit the Communists into such a Government, although some Socialists might be inclined to do so in order to recoup their labor and political losses.)

4. GREECE: Government seeks additional US aid--The US Military Attache in Athens reports that the Greek Government has submitted a memorandum to US Embassy Athens requesting additional US financial aid for the primary purpose of enlarging the Greek armed forces. The memorandum points out that Greece is the only country where Communism is carrying on armed opposition to US efforts for the rehabilitation of Europe and declares that without immediate aid "the Greek Government shall no more be in a position to bear the very great responsibilities it is now shouldering."

S-75

NEAR EAST-AFRICA

5. PALESTINE: US opposed to formation of Arab "government"-- The Department of State has instructed US diplomatic representatives in the Arab capitals to point out in a "spirit of friendly counsel" that the US considers the establishment of the "Arab

CIA-5

- 2 -

~~TOP SECRET~~~~CONFIDENTIAL~~

~~TOP SECRET~~

EUROPE

1. **FRANCE: Quenille will not permit return of Communists--**
 US Ambassador Caffery has been assured by a high official of the French Government that the Cabinet has taken a stand against the return of the Communists to the Government. Caffery interprets current press reports of a parliamentary movement to readmit the Communists as a manifestation of: (a) wishful thinking among certain politicians who consider such a readmission would guarantee industrial peace and the absence of De Gaulle from power; (b) the fear of war and French skepticism as to the effectiveness of military plans for resistance to the USSR; and (c) the desire of certain elements to "take out insurance" with the Communists.

CIA - Sec

(CIA Comment: CIA concurs with Ambassador Caffery's interpretation of the reported parliamentary movement to readmit the Communists. CIA does not foresee such a return in the near future.)

NEAR EAST-AFRICA

2. **INDIA: Immediate war with Pakistan held unlikely--**US Embassy New Delhi expresses the opinion that, although tension between India and Pakistan has increased, India probably will not undertake direct military action against Pakistan in the near future. The Embassy believes that recent inflammatory speeches by Indian leaders represent a continuation of the Indian practice of indulging in long-range polemics. The Embassy does not discount the possibility, however, that India may intensify its military operations in Kashmir after the Hyderabad situation has been cleaned up.

CIA - S
CIA - S

UK views on Kashmir dispute--According to US Embassy London, the UK Government believes that both India and Pakistan sincerely desire an "out-of-court" settlement of the Kashmir dispute and that both dominions realize each will have to make concessions sooner or later. The UK accordingly hopes that

Document No. 604

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S

- 1 -

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

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

UN delegates from the two dominions now in Paris will meet privately in an effort to reach a settlement. The UK has indicated its willingness to assist in this effort.

(CIA Comment: CIA considers it unlikely that the Kashmir dispute can be settled in the manner suggested in view of the continued intransigence of key personnel in both dominions.)

FAR EAST

3. **CHINA: Military situation "exceedingly critical" --US Embassy Nanking declares that the National Government's military position is "exceedingly critical" as a consequence of severe military reverses during the past week and that the government armies north of the Yangtze are in danger of annihilation. The Embassy reports that the Communists retain the initiative throughout all sectors and are capable of concentrating decisive strength in any area without sacrificing their present positions. The Embassy points out that the fall of Tsinan has provided the Communists with a large strategic reserve which the Government totally lacks. (The Embassy adds that the Commanding General of the Army Advisory Group and the Military and Naval Attaches concur in this report.)**

S - Sec

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

807

EUROPE

- 1. FRANCE: Communists stressing military defeatism--US Embassy Paris interprets recent propaganda statements of the French Communist Party as clear indications of a Communist return to the tactics of arousing military defeatism in France as part of a Soviet "peace" drive. The Embassy reports that leading Communists are now circulating the slogan that "the French people will never fight the Soviet Union" and are sabotaging the unloading of "war materials" in French ports.

C/A - S

(CIA Comment: CIA believes that the French people are particularly susceptible at this time to this kind of propaganda.)

- 2. SPAIN: Effectiveness of Prieto-Monarchist agreement doubted--US Charge Culbertson in Madrid considers that publication of the reported agreement between the Spanish Socialists and the Monarchists for a joint effort to overthrow Franco will have no effect on the situation in Spain other than to irritate Franco and to retard any development of cooperation between the various factions there.

C/A

(CIA Comment: CIA agrees that the Socialist-Monarchist agreement will have this estimated effect immediately but considers that this consolidation of anti-Franco groups may have long-range effectiveness if the Socialists and Monarchists are successful in obtaining international and financial backing.)

THE AMERICAS

- 3. PERU: Estimated effects of outlawing APRA --US Embassy Lima believes that the recent Government decree outlawing APRA (the powerful non-Communist leftist party alleged to have been responsible for the recent attempted revolt) will not cause the demise of the party, pointing out that APRA increased

C/A - CONF

Document No. 005

NO CHANGE in Class.

- 1 - ~~X~~ DECLASSIFIED

Class: CHANGED TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

its strength during its former period of underground activity. The Embassy estimates, however, that this decree will: (a) end the activities of APRA in politics and labor; and (b) open the way for the Communists to "move into the vacuum."

(CIA Comment: CIA does not believe the outlawing of APRA will create a "vacuum" or that the weak and divided Peruvian Communists will be able to move into the dominant position of APRA with Peruvian labor, though they may strengthen their hold in some critical unions.)

- 2 -

~~TOP SECRET~~

49
~~CONFIDENTIAL~~
~~TOP SECRET~~

GENERAL

- 1. Bevin requests caution on Spanish issue--British Foreign Secretary Bevin has appealed to Secretary of State Marshall in Paris not to "stir up" the Spanish question at this meeting of the UN General Assembly. Bevin indicated British military officials are presently engaged in conversations with Spain and that increased Anglo-Spanish trade relations have been authorized. Bevin commented that his problem was to conciliate both adverse British opinion regarding Spain and that of labor groups in Belgium and Norway.

S - see

EUROPE

- 2. YUGOSLAVIA: Tito's position in the event of war--US Embassy Belgrade reports that Marshal Tito, in a recent interview with Eric Johnston, declared that: (a) the Yugoslav breach with the USSR can be closed only if the USSR admits its error; (b) an East-West war is improbable because the USSR would not start one; (c) the Yugoslav position in such a war would depend on who started it and the "circumstances at that time". Johnston received the definite impression that Tito would maintain Yugoslav neutrality "if it were possible for him to do so."

S - see

NEAR EAST-AFRICA

- 3. PALESTINE: Necessity for aid to Arab refugees stressed-- US Ambassador Griffis in Cairo has learned from an American Red Cross representative that the Arab refugees have received substantially no food or goods from international sources. Griffis also reports that the relief organization set up by the UN Mediator has apparently been unable to obtain funds from the UN. Griffis says that Arab League leaders have declared their unwillingness to negotiate over the Bernadotte plan until the Jews permit the refugees to return to their homes.

CIA - See

Document No. 006

NO CHANGE in Class.

- 1 - DECLASSIFIED

Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG 77/1763

Date: 16 MAR 1978 By: 028

~~CONFIDENTIAL~~
~~TOP SECRET~~

~~TOP SECRET~~

FAR EAST

3. **CHINA: Communists plan pincer against Hsuchou**--According to the US Military Attache in Nanking, Chinese Nationalist forces claim to have captured Communist documents revealing plans for a Communist pincer operation designed to isolate and capture the city of Hsuchou. The MA believes that Government forces are incapable of preventing a Communist breakthrough and have no plan other than to defend along present lines. The MA also reports further Communist gains in the strategic Manchurian corridor by the capture of Hsien and the destruction of the airfield at Chihhsien.

ARMY - Sec

(CIA Comment: CIA believes that the Nationalist Armies have exhausted their reserves and are so weakened that they will be unable to withstand a major Communist onslaught in the Chenghsien-Hsuchou section. A major Nationalist defeat at Hsuchou, the last Nationalist stronghold between the Communists and Nanking, would probably precipitate a Nationalist military collapse.)

- 2 -

~~TOP SECRET~~

~~CONFIDENTIAL~~
TOP SECRET
A N N E

7 October 1948

THE ACUTE CRISIS IN CHINA

The crisis confronting the Chinese National Government has become so acute that the end of 1948 may find Chiang Kai-shek heading a government which has been reduced to a militarily impotent and financially bankrupt regime in the Yangtze valley and South China.

The Communist armies, now conducting a coordinated offensive over an area extending from Manchuria to Central China, are rapidly acquiring a numerical preponderance in most sectors and possess a strategic reserve which the National Government is totally lacking. This means that Chiang Kai-shek is now incapable of adequately reinforcing any threatened position without weakening other areas extremely. The sudden fall of Tsinan, which the Nationalists had announced they were determined to hold at all costs, demonstrated that the Communists are now prepared to wage a campaign which includes assaults on large cities.

The Nationalist military position is most critical at present in the corridor leading into Manchuria, where the Communists are making a major effort to capture Chihnsien. Chiang Kai-shek may be forced to withdraw completely from Manchuria in order to protect this sector. The situation is equally grave for the Nationalists along the rail line from Peiping into Suiyuan Province. South of the Yellow River, the Communists are now moving against the Nationalist armies along the Lunghai railroad, the last important line of defense north of Nanking. Major military reverses during the next three months may annihilate or finally isolate what remains of the demoralized Nationalist military forces north of the Yangtze.

It is possible that a Communist advance into Central China may be postponed by the problems of military supply and the destrability of Communist political and economic consolidation in occupied areas. The success the Communists are now having in solidifying their political control of North China may facilitate political consultations among Communist and dissident Nationalist elements. Such consultations will be directed toward the eventual establishment of a rival government of China, which the Communists undoubtedly would dominate.

~~CONFIDENTIAL~~
TOP SECRET

~~TOP SECRET~~

The National Government is also losing its present gamble for economic stability. Evidences of weakness in the new currency have already appeared. A widespread loss of faith in the new currency, leading to a return of uncontrolled inflation, will be an inevitable consequence of serious military defeats. Nationalist economic potential is further threatened by the probable Communist capture of the Kailan coal mines in North China which will cripple industry in Shanghai and other large cities.

In this desperate plight, factions within the National Government may seek a solution for Chinese internal problems through a sharp shift in foreign policy. Some Nationalist leaders may undertake to side with the US against the USSR on all international issues, in the hope that the US might thereby be induced to assume greater responsibility for the Government's survival. On the other hand, an increasing desire for a compromise peace with the Communists will support the policies of those Nationalist officials who hope that the USSR may mediate a satisfactory settlement. The USSR may attempt to capitalize on this compromise sentiment by offering mediation and a new general understanding with China. However, a Nationalist-Communist compromise settlement could be negotiated only on terms very favorable to the Communists and probably would require an upheaval at Nanking and the departure of Chiang Kai-shek. Although Chiang's prestige and influence are at a low ebb, no other Nationalist leader or group appears prepared or willing, at the moment, to take over power.

The recent Communist victory at Tsinan has increased the possibility of a move against Tsingtao and a possible clash with US forces there. Present Communist troop dispositions, however, indicate the unlikelihood that an immediate assault will be made on Tsingtao. The primary threat to the US position in China lies in the steadily deteriorating situation of the National Government, largely caused by military reverses. In view of the inefficiency and ineptitude of the Nationalist high command, the low morale in its armies, the lack of trained reserves, and the tendency of regional leaders to give first consideration to their local interests, the present military situation of the National Government appears irretrievable. This situation probably would not be significantly altered even if currently planned US aid were made immediately available in China.

~~TOP SECRET~~

CONFIDENTIAL



49

~~TOP SECRET~~

809

GENERAL

1. Arab states may favor UK trusteeship for Libya--The US delegation to the UN reports from Paris that Arab sentiment seems to be slowly crystallizing in favor of UK trusteeship for all Libya. The delegation indicates that although the Arabs would prefer immediate independence for Libya, they might accept British trusteeship as the only practical alternative which not only would eventually lead to independence but would forestall other less satisfactory solutions (such as Italian trusteeship for Tripolitania). The British have indicated to the US delegation that despite the previous UK Cabinet decision not to accept trusteeship for all Libya, the Cabinet might reverse its position if such acceptance seemed the only way of obtaining British control of Cyrenaica.

C/A - Sec

(CIA Comment: Arab support for British trusteeship of Libya will not increase the likelihood of General Assembly approval because many Latin American states, who support Italian claims for trusteeship of the Tripolitanian portion of Libya, will probably oppose the plan.)

2. Israeli official hopeful about UN decision--The Israeli representative in London has informed US Embassy London of his belief that "many UN delegations which were at first disposed to support the Bernadotte plan for Palestine are now pausing for second thoughts." The Israeli representative is therefore hopeful that the UN decision on Palestine will be more favorable to Israel than the Bernadotte plan. The representative added that Israel did not want war but that, if hostilities should be renewed, the Israeli forces would for the first time make an all-out effort to crush Arab resistance.

C/A - Sec

Document No. 007

NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S

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

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

3. **GREECE: Government may not obtain confidence vote--** US Ambassador Grady considers that the Greek Government may fail to obtain a vote of confidence in Parliament (which convened on 1 October) and therefore may fall at any time. Grady says that Populist-Liberal cooperation on the highest levels is relatively good and that the present threat comes from the rank and file deputies of both parties. According to Grady, one of the Populist leaders believes that if the cabinet were reshuffled to include some of the dissident Populists and Liberals, party discipline could be restored sufficiently to insure the safety of the government in Parliament.

CIA - Conf

(CIA Comment: A reshuffle of the cabinet such as that suggested would not materially change the present coalition government. It is possible, however, that this reported political unrest, resulting largely from the Greek Army's failure to win a decisive victory over the guerrillas, may eventually provoke a royalist coup.)

THE AMERICAS

4. **NICARAGUA: Possible invasion of Honduras--** Dictator Somoza of Nicaragua has informed US Ambassador Shaw that revolutionaries, "quietly aided and abetted" by President Arevalo of Guatemala, may invade Honduras about 10 October. Somoza suggested that the US "express itself forcibly" in order to localize the disturbances. A CIA source [redacted] has also been informed that an uprising is imminent in Honduras.

CIA - Conf

3.3(h)(2)

(CIA Comment: CIA believes that the Honduran Government will suppress any localized disturbances. In the unlikely event that Guatemala intervenes directly on behalf of the revolutionaries, Somoza will probably intervene on behalf of the Honduran Government unless the US warns both sides against such intervention.)

- 2 -

~~TOP SECRET~~

11 OCT 1948

49

~~TOP SECRET~~

811

GENERAL

1. Possible Communist strategy in western Europe--According to US Ambassador Kirk in Brussels, Belgian authorities view the Communist offensive in France and present Communist preparations for a wave of labor agitation in Belgium as parts of a general, coordinated effort to create social and political instability in western Europe. US Ambassador Caffery in Paris reports the conviction of Interior Minister Moch that "France is now the battlefield chosen by the Kremlin in an attempt to bring western Europe to its knees." The French Interior Ministry believes that chief Communist efforts in France are now centered on the railways in order to prevent the delivery of Saar coal. The Ministry is hopeful, however, that the attitude of non-Communist unions, combined with firm police action, will prevent a major stoppage.

CIA - Sec
CIA - Sec

(CIA Comment: CIA agrees that the Communists are directing a labor offensive against western Europe as a whole. CIA considers that the major drive is being made in France because it is the most vulnerable country, economically and politically.)

2. UK suggests possible partition of Kashmir--The British Government has delivered to the US delegation at the UN a note concerning possible solutions of the India-Pakistan dispute over Kashmir. The UK suggests that because India may now be willing to consider the partition of Kashmir, this possible solution should be included in the forthcoming UN Kashmir Commission report. Although the British still consider that a plebiscite is the best solution, they feel that the Commission's report should contain other constructive suggestions in order to enable the Commission to continue its efforts and to avoid having the whole question thrown back into the Security Council.

CIA - Sec

Document No. 009NO CHANGE in Class. DECLASSIFIED

- 1 - Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REC. 77/1763

~~TOP SECRET~~ 6 MAR 1978 By: 028

~~TOP SECRET~~

EUROPE

3. **FRANCE: Business leaders believe DeGaulle's return certain--**
US Embassy Paris has been reliably informed that French "big
business" circles now consider General De Gaulle's return to
power to be certain. The Embassy observes that at present
DeGaulle is "the only dynamic rallying point" offered non-
Communists. According to the Embassy, many French observers
believe that the Communists also desire DeGaulle to come to
power in the hope that this event will reunite the proletariat under
Communist leadership.

S - S
C/A - S

(CIA Comment: CIA agrees that DeGaulle is beginning
to appear as the only possible rallying point for the disunited
sectors of the French nation.)

- 2 -

~~TOP SECRET~~

13 OCT 1948

49

~~TOP SECRET~~

813

GENERAL

1. Polish-Yugoslav commercial treaty renewal planned--
According to US Embassy Warsaw, a British Embassy official has learned that the Polish government intends to send a trade delegation to Belgrade in November for the purpose of negotiating an extension of the present Polish-Yugoslav trade agreement. US and British Embassy officials in Warsaw believe that such a move would be highly significant because such negotiations could only occur with Kremlin approval.

CIA-CONF.

(CIA Comment: CIA believes that the Kremlin is permitting some Satellite trade with Yugoslavia to continue in order to forestall an increase of Yugoslav commercial ties with the West and to retain an economic hold on Yugoslavia.)

FAR EAST

2. CHINA: Possible cancellation of ECA aid to North China--
US Consul General Smyth in Tientsin warns that the cancellation of present ECA plans for aid to North China would be considered in that area as a definite breach of faith by the US. Smyth believes that such cancellation might have serious political repercussions in China, adversely affect US interests, and make the position of Americans in North China difficult.

CIA-CONF.

(CIA Comment: Although the current military situation in North China is so unfavorable for the Nationalists that ECA plans for that area probably cannot be successfully implemented, CIA believes that any public announcement of the cancellation of ECA plans would seriously undermine Nationalist morale in North China. Such an announcement would cause the people of North China, who already regard themselves as deserted by their own Government, to feel that they had little alternative but to accommodate themselves to the Communists.)

Document No. 011NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

Auth: DDA 100, 100, 77
DDA 100, 77/1763Date: 6 JAN 1978 By: 028~~TOP SECRET~~

~~TOP SECRET~~

a determined approach to the Republic if: (a) the US is able to bring about the immediate resumption of useful negotiations; and (b) if the Dutch demonstrate their good intentions by an immediate lifting of the blockade on the Republic. The Anstrallians feel they cannot employ their influence with the Indonesians until there has been convincing evidence of Dutch good faith. The Government believes that unless there is a prospect of a Dutch-Indonesian agreement within the next week, there will be a strong anti-Dutch reaction among the Indonesians, followed by possible Dutch retaliatory police action.

- 2 -

~~TOP SECRET~~

14 OCT 1948

49

814

~~TOP SECRET~~

EUROPE

1. **FRANCE: Government sees improvement in strike situation--** Premier Queuille has informed US Ambassador Caffery of his belief that the French strike situation has taken a turn for the better, although he expects the Communists to try desperately to prevent a government success with the coal miners. An Interior Ministry official has told Caffery that he believes the government will emerge from the present dangerous period considerably strengthened. The Interior Ministry indicates that: (a) the danger of railway stoppage no longer exists; (b) the Lorraine steel strike is on the point of settlement; and (c) lack of enthusiasm and insufficient strike funds will cause the coal miners to return by 20 October. The Embassy, which has been told by "trustworthy observers" that the Communists give evidence of having large funds at their disposal, believes that the Kremlin will furnish the French Communists any money they may need for sabotaging the national economy.

(CIA Comment: CIA believes that the Government is showing an increasing capability of halting the present wave of strikes, but that: (a) the Communist-dominated miners' union will be able to prolong the coal strike beyond 20 October; and (b) the Queuille Government will be unable in the long run to reverse the fundamental economic and political trends which are working toward its downfall.)

NEAR EAST-AFRICA

2. **INDIA: Change to pro-US attitude reported--**The Indian delegate to the UN has informed a member of the US delegation that: (a) Prime Minister Nehru is no longer pro-Soviet; (b) the basic position of the Government of India (GOI) has shifted away from the USSR; (c) the attitude of the GOI toward the US is markedly different from that of a year ago; and (d) in any crisis there would be no doubt where India stood.

(CIA Comment: CIA believes that because of India's tendency to be opportunistic in advancing its national aspirations, India cannot be depended on to maintain any pro-western attitude.)

Document No. 012- 1 - NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG 77/1763

Date: 6 MAR 1978

Pg: 028

~~TOP SECRET~~

FAR EAST

8. **CHINA: Imminent fall of Chinchow--US Embassy Nanking reports that the fall of Chinhstien (also called Chinchow, a key Nationalist supply base linking Manchuria with North China) is imminent. The Embassy believes that Tientsin and Peiping are also seriously threatened by the current Communist offensive in North China. The Embassy indicates its intention, if Chinhstien falls, to advise the Peiping and Tientsin Consulate Generals to warn US citizens in their districts to leave while normal facilities are available, although the Embassy realizes that such action would have adverse effects on the military and economic situation of the National Government.**

(CIA Comment: CIA believes that the Nationalist forces will be unable to prevent the fall of Chinhstien. Through the capture of this key city, the Communists will gain: (a) virtual control of the Manchurian corridor; (b) possession of large stores of supplies destined for Nationalist forces in Mukden; and (c) an excellent base for operations southward against the Peiping-Tientsin area. In addition, the capture of Chinhstien probably would presage the fall or evacuation of Mukden, thereby releasing the majority of Communist troops in Manchuria for a North China drive.)

- 2 -

~~TOP SECRET~~

15 OCT 1948

49

~~TOP SECRET~~

815

EUROPE

1. **FRANCE: Possible desire to precipitate De Gaulle's return--**
US Embassy Moscow believes that the current Communist-
directed disturbances in France may be deliberately designed
to hasten De Gaulle's rise to power. The Embassy be-
lieves that the Communists may thereby hope to: (a) bring
about the abrogation of the London decisions; and (b) disrupt
the unity of the western powers. The Embassy considers
De Gaulle's "clearly expressed views" as an indication that
a government under his control would be "second-best only
to a Communist government" in achieving these Soviet
objectives.

S - See

(CIA Comment: CIA agrees that, in pursuit of their over-all objective of defeating European recovery, the Communists may desire De Gaulle's return to power in the hope that western unity will thereby be disrupted. The Communists may also hope that through proper exploitation of a violent reaction to a Gaullist government they might come to power. CIA believes, however, that when De Gaulle is faced with actual governmental responsibility, he may be forced to modify his arbitrary position on foreign and domestic issues in order to avoid serious friction with the other western powers and a revival of the Communist threat in France.)

Document No. 013
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~SECRET~~

Copy No. 56

CENTRAL INTELLIGENCE AGENCY

Special Evaluation No. 35

Document No. 014

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

Auth: DDA Memo, 4 Apr 77

Auth: DDA E.O. 77/1733

Date: _____ By: 026

10 MAR 1978

~~SECRET~~

~~SECRET~~

15 October 1948

PROSPECTS FOR DE GAULLE'S RETURN TO POWER

It now appears inevitable that General De Gaulle will return to power, possibly in succession to the Queuille Government, but more probably in succession to a transition Cabinet favorable to De Gaulle. France is now approaching that condition of chaos which De Gaulle has long thought to be the necessary setting for his return. Although the Queuille Government will probably be able to stem the current strike wave, its inability to halt inflation after an initial tactical victory will bring on further labor unrest. Rising inflation, combined with the already heavy tax burden of the French propertied classes (including the peasantry and lower middle class) will cause that sizeable group to become more dissatisfied. This dissatisfaction, added to that of labor, will make the position of the Queuille Government increasingly shaky.

De Gaulle's Rally of the French People (RPF) is certain to win a tactical position in the Council of the Republic (the French second chamber) in the late October elections for the Council. The Communists will return only an isolated minority to this body; the increased representation of the Right and Center will be organized by the newly-elected RPF members into a majority favorable to De Gaulle. Although usually of secondary importance, the Council will be able, following the reconvention of the National Assembly in November, to reinforce public demand that the Assembly dissolve itself and prepare the way for new elections with direct pressure upon the Assembly.

Although the lengthy process of installing a new regime would delay De Gaulle's inevitable return, his assumption of power could be legally hastened in the event of a grave domestic or international crisis. In such a situation, the President of France could ask De Gaulle to form a Cabinet, or a coalition sympathetic to De Gaulle could form an interim government pending his return.

- 1 -

~~SECRET~~

~~SECRET~~

In order to overcome a clumsy political and administrative mechanism, De Gaulle will probably be tempted, upon his return, to resort to dictatorial methods. The Communists will undoubtedly try to goad De Gaulle into taking extreme measures. However, the compromises which De Gaulle will have to make with political and labor leaders in order to insure their support, combined with the popular support he will then enjoy, will probably lead him to achieve his ends legally. De Gaulle's ability to retain popular support will probably enable him to achieve considerable success in relieving instability and defeatism in France. Although De Gaulle's intransigently nationalistic attitude will tend to make difficult his relations with the US and the nations of western Europe, this intransigence will be mitigated by his awareness of French dependence on the US for essential economic and military aid. De Gaulle's will to resist Soviet aggression, his desire for an effective western European union, and his determination to create a strong France capable of leadership will all further US security objectives in Europe.

- 2 -

~~SECRET~~

~~TOP SECRET~~

816

EUROPE

- 1. BELGIUM: Communists may force Spaak resignation--US
Ambassador Kirk in Brussels reports a growing belief "by qualified observers" that the Communists will be able to force the resignation of the Spaak Government either by abstaining from voting or by supporting the proposed plebiscite for the return of King Leopold. Kirk further reports that the Spaak Government will resign rather than permit passage of the proposed plebiscite legislation.

(CIA Comment: CIA believes that, although the Communists may be able to force a government crisis, the threat of Spaak's resignation will probably prevent passage of the controversial legislation at this time.)

THE AMERICAS

- 2. BOLIVIA: General strike predicted-- [redacted] 3.3(h)(2)
reports that the PIR (extreme rightist party) and MNR (extreme leftist party) will promote a series of disturbances within the next ten days and a general strike on 25 October affecting railroads, airlines, factories, and mines. If the strike takes place, the President is expected to declare a state of siege and to direct the army and police to take over the struck installations.

(CIA Comment: The weak Bolivian Government could quite possibly be overthrown by a combined PIR-MNR effort. PIR and MNR are unnatural allies, however, and it is unlikely that such a combination would form a firm basis for a new government. A government dominated by either party would be less friendly to US policies than the present regime.)

document. No
 NO CHANGE in Class. DIS
 X DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DEA Memo, 4 Apr 77
 Date: 16 MAR 1978 By: 028
 DEA REG. 77/1763

~~TOP SECRET~~

~~TOP SECRET~~

817

NEAR EAST - AFRICA

1. PALESTINE: Arab refugee problem held "catastrophic" --
 US Representative McDonald in Tel Aviv expresses the opinion
 that the Arab refugee problem is rapidly reaching catastrophic
 proportions and should be treated as a disaster. McDonald es-
 timates that of the approximately 400,000 refugees, 100,000
 will perish during the approaching winter. McDonald believes
 that present and prospective relief and resettlement resources
 are completely inadequate and that the whole problem should
 be turned over promptly to the International Red Cross.

S-Sec

Document No. 016
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: EDA LTR, 4 Apr 77
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

EUROPE

1. GREECE: Van Fleet considers Greek Army strength inadequate-- US Ambassador Grady transmits the considered judgment of General Van Fleet that the present strength of the Greek Army is inadequate for controlling the border and maintaining internal security. Van Fleet is convinced, after a study of the Greek military situation, that the Greek forces should be enlarged to include 12 divisions and to reach a total strength of about 240,000, exclusive of a 22,000-man gendarmerie. (Greek ground forces now include 8 divisions and number 197,000.)

NEAR EAST-AFRICA

2. PALESTINE: Israeli attacks add to refugee problem-- US Representative Stabler in Amman has been informed by the British Minister to Transjordan that the Jewish offensive in the Negeb has induced a flight of Arab civilians from the nearby towns of Hebron and Bethlehem to Jericho. The British Minister pointed out that this development, and the possibility of similar panic among Arabs in the old city of Jerusalem, will intensify the already grave refugee problem.

Document No. 617
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
DDA Memo, 1783
 Date: 16 MAR 1978 BY: 026

~~TOP SECRET~~

20 OCT 1948

49

81

~~TOP SECRET~~

GENERAL

1. USSR held unlikely to urge troop withdrawals from Germany--
 US Ambassador Smith in Moscow does not consider it likely that the USSR will in the near future press a proposal for the withdrawal of all occupation troops from Germany. Smith points out that Soviet Communist propaganda in Germany has played the withdrawal theme for almost a year without greatly increasing the popularity of its cause, and that probably little would be gained now by the USSR through a formal presentation of such a proposal to the other occupation powers. Smith believes that the Kremlin is apprehensive that a withdrawal proposal would have an adverse effect on the Satellite states and on the Communist cause in France and Italy.

(CIA Comment: CIA concurs with Ambassador Smith's estimate that the USSR has no real intention of withdrawing from Germany at this time but believes that the Kremlin may seek to gain propaganda advantages, particularly in Germany, by raising this issue at a propitious time.)

EUROPE

2. UNITED KINGDOM: Cabinet Ministers' view of Soviet aim--
 US Embassy London reports the belief of some British Cabinet Ministers that the USSR may actually desire to induce western Europe to embark on large-scale rearmament in the hope that the diversion of manpower and materials would defeat the European recovery program. The Embassy understands that this consideration was taken into account when the Cabinet decided to re-arm only on a modest scale.

FAR EAST

3. INDONESIA: Dutch Embassy in US favors more moderate policy--
 The Department of State has been informed by an officer of the Netherlands Embassy in Washington that his Embassy has been

NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~ RIA Memo, 4 Apr 77
 Auth: DDA MEM. 77/1763

Date: 3 MAR 1978 By: 026

~~TOP SECRET~~

pressing the Netherlands Government to accept the US plan as a basis for resumption of Indonesian negotiations. The Embassy reportedly has urged such acceptance with "reservations no greater than those stipulated by the Republic." The Department was also informed that acting Governor General van Moek resigned because he was forbidden by the Netherlands Government to resume police action.

4. **CHINA: Changchun defenders defect to Communists--**The US Military Attache in Nanking reports that the Nationalist garrison in Changchun (which totalled over 40,000 troops and included the 60th Army from Yunnan) has defected to the Communists. The MA considers that this defection tends to confirm the prediction of Li Chi-shen (leader of the Hong Kong dissidents) that all Yunnanese troops would defect and support the Communists. In confirming the fall of Chinghsien, the MA indicates that two Government divisions defected without fighting.

(CIA Comment: These Nationalist defections bring the total number of Government losses in the current Communist campaign by desertion or capture to over 250,000. CIA considers this report to be further proof of the shattered morale of the Nationalist field forces and believes that defections will increase throughout other areas.)

- 3 -

~~TOP SECRET~~

49

~~TOP SECRET~~

820

GENERAL

1. Stronger SC action on Palestine held possibly necessary--The US Delegation to the UN believes that the Security Council's latest Palestine cease-fire resolution "can only be described as a holding action." The delegation feels that if the resolution is not sufficient to stop the fighting, to restore the "previous situation" in the Negeb, and to prevent the outbreak of hostilities elsewhere, the Security Council should give immediate consideration to further action under Chapter VII of the UN Charter. (Chapter VII authorizes the use of sanctions against an offending party.)

EUROPE

2. GERMANY: USSR tightens blockade of Berlin--US Acting Political Adviser Riddleberger considers the significance of the new Soviet measures restricting the shipment of food from the Soviet Zone into western Berlin to be that they: (a) impose a tighter stranglehold on the Berlin western sectors; (b) indicate the use of increasing numbers of police in the immediate vicinity of Berlin; and (c) suggest a close collaboration between the Soviet zonal and sector police. Riddleberger reports the view of US officials that a merger of these police forces may take place soon.

(CIA Comment: CIA believes that the police of the Soviet sector in Berlin have already been subordinated to the Soviet Zone Administration of Interior to such a degree that a formal merger of the sector and zonal police will necessitate only slight administrative changes and shifts in personnel. The sector police will continue to be under the joint control of the Soviet Berlin Kommandatura and the Zonal Interior Administration.)

Document No. 019
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA REG. 77/1763
 Date: 16 MAR 1970 By: 628

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. US to remain firm on Palestine stand--In reply to the suggestion of the US delegation to the UN that stronger Security Council action may be necessary on the Palestine problem; the Department of State has declared that the US feels it must abide by: (a) its commitments under the UN Charter; and (b) its previous statements advocating Security Council action under Chapter VII if such action becomes necessary to prevent further hostilities in Palestine. The Department expresses the desire of the US not to have to play the role of protagonist in the matter nor to have to speak first.

2. US suggests that Soviet-Iranian data go to UN--The Department of State has suggested to the US delegation to the UN that the present may be an appropriate time for Iran to communicate to the Security Council, for information only, a record of recent Soviet-Iranian relations. The Department explains that such a communication, supported by a US statement, would: (a) refute Soviet claims that the USSR could legitimately send troops into Iran under the 1921 Soviet-Iranian Treaty; and (b) indicate to the USSR and the Middle East nations that US support of western European union does not imply a decrease in US support for other areas.

FAR EAST

3. CHINA: Possible resignation of Chiang Kai-shek--US Consul General Chubb in Peiping has learned from a "trusted informed source" that Chiang Kai-shek is considering resigning. Source simultaneously reported that the Nationalist military position is very critical in Manchuria where eight divisions are now refusing to advance (apparently because of the reluctance of their commanders).

S-75

Document No. 026NO CHANGE in Class. DECLASSIFIED

- 1 - Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

DDA REG. 77/1763

~~TOP SECRET~~Date: 16 MAR 1978 By: 628

~~TOP SECRET~~

(CIA Comment: Although no other indications that Chiang Kai-shek is wavering in his determination to continue the fight against the Chinese Communists have been received, CIA believes this report is possibly true.)

Shanghai mayor fears Government collapse--US
Consul General Cabot transmits the expressed fear of Mayor Wu of Shanghai that the National Government will collapse by the end of November unless substantial help is received. Mayor Wu told Cabot that Chiang Kai-shek has lost his sense of realism and that 99% of the people are now against the Government.

(CIA Comment: Mayor Wu's anxiety reflects the panic spreading among Nationalist officials who are unequivocally committed to Chiang Kai-shek but who are now genuinely frightened regarding his prospect of emerging successfully from the present crisis.)

4. KOREA: Korean mutiny believed under control--In a detailed account of the recent disorders in Korea, General MacArthur's headquarters in Tokyo reports that the revolt was begun by 40 enlisted men of a constabulary regiment who were joined by an undetermined number of civilians. Headquarters reports that there has been no other evidence of disaffection among constabulary units. The report concludes that, although there are indications of Communist connection with the revolt, neither US nor Korean authorities are alarmed by the situation.

(CIA Comment: CIA believes that the Communist-directed mutiny was designed to bolster a forthcoming Soviet contention in the UN that the US has been forced to retain its troops in Korea in order to protect an "anti-democratic" regime. CIA expects similar uprisings elsewhere in Korea and anticipates that the Korean Government will exaggerate them in order to justify its use of extreme measures against its political opposition.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

THE AMERICAS

5. **BRAZIL: Argentine aggression feared--**The Acting Secretary General of the Brazilian Foreign Office has informed US Ambassador Johnson of the Brazilian General Staff's conviction that, if there is war between the US and the USSR, Argentina will take aggressive action against Bolivia, Paraguay, and Uruguay, or possibly all three. The Brazilian official explained that Brazil would "feel compelled" to go to war in case of an Argentine attack on Paraguay or Uruguay. He therefore urged that all sales of arms to Argentina cease and that the US assure Brazil of full support under the terms of existing defense pacts.

(CIA Comment: CIA does not believe that Argentina plans any armed aggression against its neighbors. The Brazilian official has probably exaggerated Argentine intentions in an attempt to forestall US assistance to Argentina.)

- 3 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. Embassy Moscow's estimate of recent Soviet tactics--US Embassy Moscow takes issue with the recent estimates of certain western European political circles that the Kremlin's current tactics are motivated by a desire to force the west to dissipate its strength in armaments. The Embassy reasons that Soviet leaders must certainly realize the effect of armament programs in increasing the over-all productive plant of the western European nations. The Embassy further disagrees with the assumption that the USSR is not prepared for and does not expect hostilities for an indefinite period. Although in the Embassy's view Soviet leaders do not want war and estimate that neither does the US, the Soviet Union would not have followed its recent course regarding Berlin had it not thought itself prepared to face hostilities if necessary. The Embassy adds that Soviet leaders may have estimated such an eventuality as unlikely, but that they must have considered it a definite possibility.

S - T S

2. Jewish attack on Jerusalem feared--US Consulate General Jerusalem considers that there now exists the possibility of the Arab-Jewish conflict in the Negeb shifting to Jerusalem. UN observers state that the Jews are concentrating troops in the Jerusalem area and that Brigadier Clubb Pasha, commander of the Arab Legion, has expressed great concern over the possibility of a Jewish attack. The Consulate General further considers that immediate UN action is most important in order to forestall further Jewish military action which might lead to the collapse of UN efforts in Palestine. The Consulate General urges that the Provisional Government of Israel be told unequivocally that Israel will derive no political advantage from military defeats they may inflict on the Arab armies.

Document No. 021

NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

- 1 - Auth: DDA Memo, 4 Apr 77
DIA RUC. 77/1763

Date: 6 MAR 1973 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

3. Czechoslovak miners urged to aid French strikers--US Embassy Prague reports a widespread Communist campaign urging Czechoslovak miners to give financial aid to striking French miners. Although Czechoslovak miners are reportedly already pledging percentages of their earnings, no dependable data is available on the extent of financial assistance contemplated. The Embassy believes the drive is motivated more by a Communist desire to "educate" Czech workers in Socialist solidarity than to raise funds for the French strikers.

- 2 -

~~TOP SECRET~~

85 OCT 1948

49

~~TOP SECRET~~

823

GENERAL

1. Reported "conciliatory" Israeli attitude at UN--The US delegation to the UN has been informed by Acting Palestine Mediator Bunche that Israeli UN representative Eban has recently taken a very conciliatory attitude toward the Bernadotte plan. According to Bunche, Eban indicated that Israel would be satisfied if the UN: (a) affirmed the existence of the Jewish state; (b) declared the termination of hostilities and the right of individual Arab refugees to return to their homes; and (c) referred to the proposed conciliation commission such matters as frontiers and access to Jerusalem. Eban also indicated that Israel would not resist the internationalization of Jerusalem.

S - Sec

(CIA Comment: CIA doubts that Israeli representative Eban accurately reflects Israeli policy, particularly on the internationalization of Jerusalem. However, Eban's proposals might indicate, in the light of Israel's clear determination to win more territory before a final Palestine settlement, an effort to postpone UN action on Arab-Jewish boundaries. This maneuver would enable the Israelis to win recognition for Israel but provide them opportunity to further their territorial aims.)

2. UK concerned over UN delay on Palestine--A UK Foreign Office representative has told the US delegation to the UN that the British are fearful that delay in UN consideration of the Palestine question may permit major changes in the existing Arab and Jewish territorial positions. The Foreign Office representative believes that both the US and UK should guard against such changes and give all possible support to the Palestine mediator.

EUROPE

3. FRANCE: Coal strike nears critical point--According to US Embassy Paris, most trade unionists believe that the strike situation in France has now reached the point where

Document No. 027- 1 - NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 15 MAR 1978 By: 027

~~TOP SECRET~~

the Communists must choose either to employ their armed forces in an openly-insurrectionary movement or to accept defeat after obtaining the best terms possible. The Embassy has learned that although the General Confederation of Labor (CGT) has received large sums to finance the strike, enormous expenditures have forced the CGT to scrape the bottom of its treasury.

(CIA Comment: CIA does not believe that the Communists will at this time resort to a full-scale insurrection using their paramilitary forces.)

4. GREECE: AMAG to reject proposed expansion in armed forces-- AMAG Chief Grady reports that he will not approve the expansion in the armed forces proposed by General Van Fleet. Grady believes that the Greek Army's lack of progress in the guerrilla war should be attributed to poor leadership and fighting spirit rather than to inadequate personnel and materiel. As an alternative to the proposed expansion, Grady intends to: (a) impress upon the Government the necessity for improving Greek military and political leadership; and (b) urge the development of an effective propaganda campaign designed to stress the critical situation confronting the country. According to Grady, the Greeks must be made to recognize that the guerrilla war is their own problem and that there is a limit to US-provided material aid.

S - Sec

FAR EAST

5. CHINA: Embassy urges "all-out" US aid--US Embassy Nanking believes that present US aid plans are insufficient to save the situation of the Chinese National Government. The Embassy recommends that the US make an "all-out effort," including: (a) authorization for the US Military Advisory Group to extend advice further down into the Chinese military command; (b) the expediting of arms and ammunition to Chinese

S - Sec

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

ports; and (c) the telescoping of all projected China Aid Program shipments into the next few months. The Embassy believes that such a course has only "reasonable prospects" of success, but that the alternative is a Communist-dominated coalition.

Chiang opposes US evacuation warning-- US Ambassador Stuart reports that Chiang Kai-shek has personally requested a postponement of the evacuation notice to US nationals in the Peiping-Tientsin area, originally planned for 26 October. Chiang guaranteed that the Peiping-Tientsin area is in no immediate danger and assured Stuart that he would personally give due warning if in the future it should seem necessary for US nationals to withdraw. Stuart has urged Chiang to withdraw to North China all troops now in Mukden, on the grounds that if this is done there is a slight possibility of saving North China.

Imminent evacuation of Mukden reported--

[redacted] that Chiang Kai-shek has ordered the evacuation of Mukden within the next few days. According to the official, Nationalist forces will be evacuated via the port of Yinkow, now in Nationalist hands. US Consul Ward in Mukden concurrently expresses the view that the cessation of airlifting supplies to Mukden may be the prelude to the city's evacuation by the Nationalists.

3.3(h)(2)

THE AMERICAS

6. BRAZIL: Fears of Argentine aggression deemed exaggerated--
The Department of State has informed US Ambassador Johnson in Rio of its view that the Brazilian General Staff's fears of Argentine aggression are considerably exaggerated. The Department recognizes the discontent of the Brazilian Staff over recent US arms sales to Argentina but states that US hemisphere policy cannot permit discrimination among Latin American

- 3 -

~~TOP SECRET~~

~~TOP SECRET~~

states. The Department concedes that Argentina has undoubtedly influenced the troubled situation in Paraguay and Bolivia, but feels the basic trouble in both countries stems from the instability of the governments in power. The Ambassador is instructed to assure the Brazilians that the US will comply fully with its commitments for the maintenance of peace in the hemisphere.

.. 4 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. Caution urged in applying US pressure on Dutch--US Embassy The Hague has indicated its approval of the progress made in discussions with the Indonesian Republic but urges caution in applying pressure on the Dutch. The Embassy fears that because opinion in the Netherlands is inflamed concerning the Indonesian dispute, undue pressure may cause the Dutch to push ahead stubbornly on their own course. The Embassy also believes that the responsibilities which the US has recently assumed should now be shifted back to the Good Offices Committee and the UN, where they could be shared with other powers.

Document No. 023
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

27 OCT 1948

49
~~TOP SECRET~~

825

GENERAL

1. US policy on China --The Department of State has informed US Embassy Nanking that the US cannot follow the Embassy's recent recommendation that an "all-out effort" be made to aid Nanking. The Department considers that such a course would be inconsistent with present US policy on China, the fundamental consideration of which is not to become directly involved in the Chinese civil war. The Department points out that the Embassy's reports indicate: (a) the National Government has already lost the confidence of the people; (b) its leaders have not followed US military advice; and (c) the Government is incapable, under present leadership, of halting the spread of Communism. The Department declares that the US will "certainly continue to support the National Government as long as it remains an important factor on the Chinese scene." The Department considers, however, that it is impossible at present to formulate any rigid plans for our future policy in China and that the US must preserve the maximum freedom of action during the forthcoming period of extreme flux and confusion.

CIA - [REDACTED]

2. Strong SC action on Palestine urged --The US delegation to the UN in Paris has recommended to the Department of State that the US strongly support a projected British resolution which would: (a) endorse the Acting UN Mediator's order that both Arab and Israeli forces withdraw to their 14 October positions; and (b) appoint a Security Council committee to report on appropriate measures, including sanctions, which could be taken if either party refuses to comply. In discussing possible steps following the passage of such a resolution, the US delegation points out that refusal of either party to comply would be a most serious breach of the truce and that failure of the SC to take strong action at that time would not only further weaken the prestige of the SC and the US but would seriously impair the chances of a Palestine settlement based on the Bernadotte plan. The

CIA - Sec
S - SecDocument No. 024- 1 - NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1973 By: 028

~~TOP SECRET~~

delegation further urges that US representatives in the Near East be instructed to press for prompt compliance with the Mediator's 25 October order so that further deterioration of the truce, to the point requiring threatened SC sanctions, will be avoided.

(CIA Comment: CIA believes that, unless the Security Council takes strong action immediately, the Israeli forces will not withdraw to their 14 October position and may even extend the scope of their present military operations.)

No comment

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. US to support British on Palestine resolution--Concerning the recommendation of the US delegation to the UN that the US strongly support the 28 October British resolution on Palestine, the Department of State has instructed the delegation to limit its action to brief endorsement and favorable vote on the resolution. (The British resolution endorses the Acting Mediator's recent order that both sides in Palestine withdraw to their 14 October positions and directs the appointment of a Security Council committee to examine appropriate measures to be taken subsequent to non-compliance by either belligerent.)
2. Norwegian views on Scandinavian defense--Norwegian Foreign Minister Lange has informed US Embassy Oslo that although Norway and Denmark have recently urged Sweden to hasten current defense discussions, he is not hopeful of the ultimate results from Sweden. Lange believes, however, that it may be barely possible to secure a regional defense arrangement tacitly aimed at the USSR or possibly an agreement for joint defense of a strategic sector of Scandinavia. He expressed the view that it would be preferable to allow a Nordic defense bloc to operate temporarily without affiliation with the western powers. Lange indicated that even in Norway there is opposition to wholehearted support of a western European union without tangible guarantee of military supplies from the US.

S - Sec

S - TS

FAR EAST

3. CHINA: Chiang reported desperately ill--US Ambassador Stuart has been informed by a "usually reliable source" that Chiang Kai-shek collapsed on 26 October and is desperately ill in Peiping.

C/A - Sec

Document No. 025NO CHANGE in Class. DECLASSIFIED

- 1 Class. CHANGED TO: TS S C

~~TOP SECRET~~DDA Memo, 4 Apr 77
111 FEB 77/1783Date: 16 MAR 1978By: 028

~~TOP SECRET~~

(CIA Comment: CIA has no further information to confirm the reported illness of Chiang Kai-shek; this story might be intended to prepare the way for the Generalissimo's resignation. There has been no indication that Vice President Li Tsung-jen or other Nationalist leaders have made constructive plans for the confused situation which would follow a sudden departure of Chiang.)

- 2 -

~~TOP SECRET~~

29 OCT 1948

49

827

~~TOP SECRET~~

GENERAL

- 1. Scandinavian neutrality still Swedish aim--US Ambassador Matthews in Stockholm reports that Sweden is exaggerating its military strength in an effort to persuade Norway and Denmark to join a Scandinavian Defense Alliance based on neutrality. Matthews adds that the Swedish Government: (a) appears to be honestly convinced of its ability (even without US help) to make the conquest of Sweden by the USSR extremely costly; and (b) is attempting to convince Norway and Denmark that they should not "carelessly toss away" Swedish ability to protect Scandinavia by joining a western group which cannot supply them arms.



FAR EAST

- 2. CHINA: Continuing US aid urged--US Commander Naval Forces Western Pacific believes that in view of Nationalist attempts to retire completely from Manchuria and Nationalist inability to hold the Chihhsien-Tientsin corridor intact, consideration should now be given to the possibility of a Nationalist-Communist coalition. COMNAVWESPAC believes that even though such a coalition would probably be predominantly Communist in its initial stages, some acceptable modus operandi could be found which would permit the execution of current US directives. He therefore recommends no change in the US military aid program and stresses the importance of continuing the supply of food, fuel, and other essentials to coastal cities such as Shanghai and Tsingtao, where US interests are involved.

S-T.S
CIA-Conf-

Nationalist Manchurian forces face annihilation--US Consul General Ward of Mukden reports that recent Nationalist military tactics under the personal direction of the Generalissimo have had tragic consequences for the Government. Ward states that five Nationalist armies are now trapped by the Communists northwest of Mukden, thereby

Document No. 026

NO CHANGE in Class.

- 1 - ~~DECLASSIFIED~~

Class. ~~TOP SECRET~~ TO: TS S C

~~TOP SECRET~~

Auth: DEPT. OF STATE, 77/1703

Date: 6 MAR 1948 By: 028

~~TOP SECRET~~

leaving Mukden inadequately defended and that its defenders probably will capitulate unless strong Nationalist forces can fight their way back. Ward considers impracticable any attempt to evacuate Government forces from Mukden through Yingkow.

THE AMERICAS

3. PERU: Odria revolt may succeed--The US Military and Naval Attaches in Lima believe that the revolt led by General Manuel Odria will probably succeed. The MA considers it possible that Odria will head a military junta and take over from President Bustamante without bloodshed.

ARMY - 5
NAVY

(CIA Comment: General Odria, former army chief of staff, is popular with high-ranking army officers and is reportedly receiving financial support from wealthy conservatives. A government headed by Odria would probably continue Bustamante's policy of cooperation with the US, although some of his rightist supporters will still oppose plans for US development of Peruvian oil resources.)

- 2 -

~~TOP SECRET~~

49

30 OCT 1948

~~TOP SECRET~~

828

EUROPE

1. **FRANCE: Possible end to coal strike foreseen**--According to US Ambassador Caffery, it is now possible to foresee "a general, if not total, return to work" in the French coal mines by 8 November. The US Military Attache has meanwhile learned from a reliable source that Communist political and trade union leaders in the General Confederation of Labor (CGT) disagree as to the advisability of continuing the coal strike. Source states that trade union leaders are apparently convinced that the coal strike is losing rank and file support at an increasing rate and wish to announce the willingness of the Miners' Federation to reach a compromise solution with the Government. Source adds, however, that the top leaders of the French Communist Party have instructed the CGT to continue the strike to the bitter end, even at the risk of certain failure, in an effort to damage the European recovery program, disrupt the Government's plans, and weaken US-UK confidence in France as a base of operations against the USSR.

(CIA Comment: CIA believes that, as popular support for political strikes wanes, strained relations between political and trade union Communist leaders may endanger CGT solidarity. CIA considers, however, that despite the present strong stand taken by the top Communist leaders, the Communist Party will not extend its obstructionist efforts to the point of political suicide.)

FAR EAST

2. **INDOCHINA: French begin military operations in Tonkin**--US Consul Gibson in Hanoi reports that the French have begun military operations in Tonkin. Gibson believes that the offensive will be a clean-up operation to assure the security of communications in the chief French-held cities in the Tonkin area rather than an ambitious extermination plan.

(CIA Comment: CIA agrees that the French will not undertake a large-scale operation similar to the ill-fated offensive of October 1947.)

Document No. 027NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ Class. CHANGED TO: TS SAuth: DDA Memo, 4 Apr 77
DDA REG. 77/1763Date: 16 MAR 1978 By: 028

1 NOV 1948

49

829

~~TOP SECRET~~

GENERAL

1. US approves 15,000-man increase in Greek army strength-- e/A-S
 The Department of State has informed AMAG that the US approves a new ceiling for the Greek Army of 147,000 men, representing an increase of 15,000 rather than the 20,000 asked by AMAG. The US stipulates that this increase must be financed from funds currently allocated to the military aid program and that the Greek Army's present 24-month compulsory service period must be lengthened. The Department suggests that AMAG inform the Greek Government of the US view that the guerrilla menace can be reduced by effective leadership of the present Greek forces and that consequently no further expansion of the army is now justified. (This approved 15,000-man increase is intended to make available a "pipeline" of replacements, not additional combat strength.)

2. Soviet attempt to induce French neutrality-- According to US Ambassador Smith in Moscow, the French Ambassador there has been "indirectly advised" that mention of France was deliberately omitted by Premier Stalin when he made charges against the US and the UK during his recent PRAVDA interview. This omission was reportedly intended both as a warning to France and as an invitation to adopt a policy of neutrality toward the USSR. The message received by the French Ambassador reiterated Soviet charges that the US and UK are seeking a pretext for instigation of a new war and declared that France can preserve peace by preventing the realization of US and British plans. e/A-S

(CIA Comment: CIA believes that although the USSR will continue to exploit French fear of war, the PRAVDA interview was not intended primarily to wean France from the western powers. Stalin's interview was designed to: (a) prepare the Soviet people for further unilateral action by the USSR in Germany; and (b) add the weight of Stalin's personal prestige to the Soviet position in the Berlin dispute. CIA does not believe that US-UK relations with the present French Government will be altered by this "indirect" Soviet approach.)

Document No. 028NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ CLASSIFIED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG 77/1763

Date: 15 MAR 1978 Bv: 028

NOV 1948

49

~~TOP SECRET~~

830

GENERAL

1. Evacuation of US nationals from Central China proposed--
 US Ambassador Stuart in Nanking has informed the Department of State that he plans to issue on 5 November a formal evacuation notice urging all US nationals in the Nanking, Shanghai, and Hankow areas to leave while normal transportation facilities are available. Stuart considers that this action has been made advisable by: (a) the increasing possibility of a clash between US and Chinese Communist forces; (b) the crushing elimination of the Nationalist armies in Manchuria; and (c) the strong possibility that Communist forces can either overrun Hsuehou or bypass it and assault Nanking directly. Stuart reports that the Chief of the Joint US Military Advisory Group (JUSMAG) desires to evacuate all JUSMAG dependents from China. According to the Ambassador, Chiang Kai-shek has given recent assurances that he is not discouraged and will eventually defeat the Communists.

S - S
S - TS

(CIA Comment: CIA believes that Communist forces are now capable of staging an assault on any Nationalist position in Central or North China. Ambassador Stuart's report that Chiang Kai-shek is determined to continue fighting negates unconfirmed reports of Chiang's serious illness.)

2. Scandinavian defense agreement thought likely--Danish Foreign Minister Rasmussen has informed US Ambassador Marvel and John Foster Dulles of his view that the current Nordic defense discussions will end in an agreement which will not contain Swedish conditions that Norway and Denmark remain neutral. Rasmussen indicated that Denmark has no inclination at present to join a North Atlantic defense pact but that a unilateral US guarantee would considerably strengthen a Scandinavian defensive alliance and would be a deterrent to Soviet aggression.

S-TS

Document No. 029

- 1 - NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 6 MAR 1978 By: 028

8 NOV 1948

49

~~TOP SECRET~~

830

GENERAL

1. Spaak believes agreement on Berlin possible--According to US Ambassador Kirk in Brussels, Premier Spaak has expressed his definite impression that agreement on the Berlin problem may be easier to obtain than present appearances indicate. Spaak thinks that a formula is possible which would not cause either the western powers or the USSR to feel that face had been lost. Spaak is still convinced that the Soviet Union wants a four-power conference on the "whole German problem" and is applying pressure on Berlin to achieve this end.

(CIA Comment: CIA agrees that the Kremlin still wants a renewal of quadripartite discussions on Germany and is trying through the Berlin blockade to maneuver the western powers into re-opening such talks on terms favorable to the USSR.)

2. US urges suspension of British reparations deliveries to USSR--The Department of State has requested US Ambassador Douglas in London to urge the UK to suspend further reparations deliveries from Germany to the Soviet Union until relations with the USSR improve. The Department considers that US public reaction would be harmful to US-UK relations if it became widely known that reparation deliveries were being continued.

Document No. 030
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DIA REC. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

EUROPE

3. **FRANCE: Coal strike "dwindling"** --US Embassy Paris reports that the strike movement in French coal mines and coal ports is "clearly dwindling" and that the leaders of the General Confederation of Labor (CGT) are losing support among the workers. According to the Embassy, the CGT is receiving sufficient financial aid to pay its agents in the mine districts, but the miners themselves are reaching the end of their resources. The Embassy observes that the longshoremen's resistance to the CGT strike order stems largely from "skillful organizing work" by non-Communist unionists. The Embassy adds that for the first time since 1944 the shipping companies and port authorities are displaying courage in opposing Communist labor leaders.

(14-CONF)

(CIA Comment: CIA continues to believe that the increasing aggressiveness against CGT tactics on the part of both the Government and non-Communist labor will soon force the CGT to abandon its major strike effort. Localized strikes will probably continue.)

- 2 -

~~TOP SECRET~~

4 NOV 1948

832

49

~~TOP SECRET~~

EUROPE

- 1. GERMANY: Estimated strength of Soviet Zone police--US
Ambassador Murphy reports that reliable information has caused him to revise downward his previous estimates of the strength of the Soviet Zone police and to place its strength in the neighborhood of 80,000 men. Murphy indicates that Soviet authorities are encountering increasing difficulty in building up this police force and transmits the views of various German informants that bloody civil disorders might result if the USSR were to withdraw the Soviet troops and attempt to use the German police for the enforcement of Soviet policies.

S - sec

(CIA Comment: CIA concurs in Ambassador Murphy's estimate of German police strength in the Soviet Zone and believes that effective enforcement of Soviet policies would be impossible in the absence of Soviet military and administrative personnel. CIA considers that the recent reports exaggerating the strength of these police have stemmed from: (a) Soviet propaganda efforts to terrorize the Germans and intimidate the western powers; and (b) misrepresentation by German informants who hope thereby to inspire counteraction from the western powers.)

- 2. POLAND: Estimates of Soviet occupation forces reduced--
The US Military Attache in Warsaw reports that the US, British, and Canadian military staffs in Poland now estimate that the June and July withdrawals of Soviet troops and materiel from Silesia and Pomerania were larger than originally judged and that Soviet troops have been replaced with Polish units. The MA concludes that there are no immediate plans to return Soviet forces to those areas and that there will be no change in the military situation in western Poland in the near future.

S - TS

(CIA Comment: Because there were no significant increases in Soviet forces in eastern Germany during June and July, CIA is convinced that the units withdrawn from western Poland were returned to the USSR.)

Document No. 030

- 1 -

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~TOP SECRET~~

Date: 16 MAR 1978

By: 029

~~TOP SECRET~~

3. **GREECE: Prime Minister reportedly intending to resign--**
US Ambassador Grady has been informed that Prime Minister Sophoulis intends to submit his resignation on 5 November. Grady expects that following this resignation the King will ask the present Cabinet to remain in office until a new government is formed; that Foreign Minister Tsaldaris will be asked to form a government but will fail because of inadequate Populist strength; and that an effort will then be made to form a new coalition under Sophoulis.

THE AMERICAS

4. **ARGENTINA: Joint action against Communism proposed--**
US Ambassador Bruce reports that President Peron has personally recommended that a secret conference of American nations be held immediately for the purpose of deciding upon a concerted plan to stamp out the Communist movement in the Americas. Peron reportedly considers this movement to be strengthening more rapidly than is generally known.

S-TS

(CIA Comment: The timing of this proposal reflects the current Argentine estimate that the US plans to take more decisive action against the USSR. Peron's proposal at this time represents a bid for renewed understanding with the US in order to resolve outstanding differences between the two countries, obtain aid in Argentina's dollar crisis, and expand Argentine military and industrial procurement in the US. CIA does not believe that the Communist movement is gaining strength in Latin America.)

- 2 -

~~TOP SECRET~~

6 NOV 1948

49

834

~~TOP SECRET~~

GENERAL

1. French plans concerning possible abandonment of Nanking--
According to US Ambassador Caffery in Paris, the French Foreign Office now holds the tentative view that the French Ambassador at Nanking should remain with the Chiang Kai-shek Government if it retreats from Nanking to South or Southwest China. The French Foreign Office reportedly believes that it would be proper for French diplomatic representatives to stay with Chiang as long as his Government carries on the fight in continental China. The Foreign Office is undecided what to do following a Nationalist withdrawal to Taiwan (Formosa), a move which the French would regard as equivalent to "throwing in the sponge."

Document No. 633
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 628

~~TOP SECRET~~

8 NOV 1948

49

~~TOP SECRET~~

835

GENERAL

1. US favors truce negotiations in Palestine--Concerning the Palestine problem, the Department of State has instructed the US delegation at the UN: (a) to vote against the British proposal to apply to the northern Palestine front the 4 November Security Council resolution demanding troop withdrawals in the Negeb; (b) to support the proposal of UN Acting Mediator Bunche which requests the Arabs and Jews to enter into immediate negotiations with the intention of settling all truce problems and establishing an armistice; and (c) not to co-sponsor or introduce the Bunche resolution. The US delegation has previously reported that the British do not appear "to hold too strongly" to their proposal and that Canada may be inclined to sponsor Bunche's suggestion.

2. Tentative agreement on Italian naval deliveries to the USSR--The Italian Ambassador in Moscow has informed US Ambassador Smith that: (a) Italy has agreed in principle to complete the transfer before 1 June 1949 of the Italian naval vessels granted to the USSR by the Italian peace treaty; (b) the USSR has agreed in turn to accept the Italian formula of reparations; and (c) on the basis of this formula, Italian-Soviet talks will be begun soon concerning both reparations and trade agreements. The Italian Ambassador emphasized that this agreement places the Italian trade delegation in a favorable negotiating position and that no vessels need be delivered unless Italy can secure satisfactory terms.

FAR EAST

3. CHINA: National Government's fall "inevitable"--US Embassy Nanking now considers that "the early fall of the present National Government is inevitable." The Embassy reports that US senior military representatives in Nanking unanimously agree that: (a)

S-TS

Document No. 034NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~TOP SECRET~~Date: 16 MAR 1974By: 028

~~TOP SECRET~~

there is no step that China or the US can take in sufficient time to retrieve the military situation; and (b) Communist forces can reach the Yangtze River in the vicinity of Nanking in two weeks. The Embassy believes that the National Government will be replaced either by a Communist government or a Communist-dominated coalition but cannot predict at this time which it will be.

(CIA Comment: CIA believes that the life of the National Government will not, at most, extend beyond the next few months.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. Indonesians fear imminent renewal of Dutch military action--
The Indonesian representative to the UN has transmitted to the US delegation information from "a usually reliable Republican source" concerning a Dutch plan to form an interim government on 15 November and to resume military action on 20 November. The Republican Government cites Dutch stalling tactics to avoid resumption of negotiations and their extensive military preparations as confirmation of this report. The Indonesian representative believes that his Government will continue its efforts to maintain peace provided that the Republic has some assurance that the Dutch will not resort to military action. According to the US Embassy in New Delhi, the Government of India has expressed its great concern over recent developments in Indonesia and understands that the Dutch are preparing for another "police action" on a large scale.

(CIA Comment: Regardless of the authenticity of the Republic's information, this appeal to the US delegation represents an obvious bid for greater US pressure on the Netherlands Government. The Dutch have, however, consistently obstructed efforts for reaching a peaceful settlement with the Republic and have recently accelerated preparations for the use of military force.)

FAR EAST

2. CHINA: Imminent Communist threat to Nanking--US Embassy
Nanking reports that US military observers there estimate that a Communist assault on Nanking will begin within seven to ten days. The Embassy considers that the Nanking garrison is inadequate for a long defense of the city. According to the Embassy, the Nationalist Supreme Headquarters has informed the US Military Attache that the battle for Hsuehou, which has already begun, has been marked by serious defections.

Document No. 035NO CHANGE in Class. DECLASSIFIED

- 1 -

Class. CHANGED TO: TS S C

Auth: DDA Memo, 4 Apr 77
DDA REF. 77/1763~~TOP SECRET~~

16 MAR 1978

By: 028

~~TOP SECRET~~

(CIA Comment: CIA anticipates that Nationalist defections will continue to be widespread in the next few days and will be followed by a Communist advance on Nanking. Although Communist forces are capable of assaulting and taking Nanking within the next two weeks, it is more likely that the surrender of the city will be negotiated, as in the case of Mukden.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. Possibility of Arab-Jewish negotiations--The Arab military governor in Jerusalem has informed US Vice Consul Burdette that no military accord exists between Arab and Jewish forces, although the governor considers it possible that informal political talks may be taking place between Israel and Egypt or Transjordan. The military governor believes that all the Arab rulers are reluctant to seek negotiations openly for fear of being branded traitors but would welcome peace talks through the UN.

2. Possible Soviet tactical shift foreseen--US Ambassador Smith in Moscow reports that following the US elections Soviet propaganda has shown a shift of emphasis designed to give the impression that the Kremlin "can do business with Truman." Smith believes that the Kremlin's faith in its present tactics has probably been weakened by the unity and determination of the western powers, by the weak showing of presidential candidate Wallace, and by the demonstrated solidarity of the US bi-partisan foreign policy. Smith considers, however, that any "conciliatory" moves made by the USSR will be purely tactical and believes that recent propaganda may be a prelude to "peace" moves calculated to foster western disunity.

(CIA Comment: CIA generally agrees with Ambassador Smith's estimate but believes that at present it is too early to say whether the Kremlin has actually decided upon a tactical shift. Soviet leaders may be merely seeking to ease existing tension temporarily, thus gaining time for a major review of Soviet-US relations in the light of the outcome of the recent elections.)

EUROPE

3. FRANCE: Prospective changes in Cabinet--US Embassy Paris expects that the recent Gaullist success in the elections to the Council of the Republic will be reflected in both the composition

Document No. 036

NO CHANGE in Class.

- 1 - DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REG: 77/1763

Date: 16 MAR 1978

By: 028

~~TOP SECRET~~

and program of the Queuille Government. The Embassy is presently inclined to believe that there will be a minimum of changes in the Queuille Cabinet but that any new members will probably be drawn from the political Right Center, despite the strong electoral showing of the Socialists.

3.3(h)(2)

NEAR EAST-AFRICA

- 4. IRAN: [redacted] fears "serious trouble" from USSR-- [redacted] transmits the opinion of [redacted] that the return to Tehran of Soviet Ambassador Sadchikov presages "serious trouble" from the USSR. According to [redacted] declared that he has "definite information" concerning Soviet intentions to direct an intensive campaign against the US military missions and the US arms credit program.

S-sec

3.3(h)(2)

3.3(h)(2)

FAR EAST

- 5. CHINA: Reported Communist peace terms--The US Naval Attache in Nanking has learned from a "usually reliable" Chinese Nationalist military source that an envoy of Communist leader Mao Tse-tung has presented to an undesignated high Kuomintang general the following stipulations concerning peace terms: (a) Chiang Kai-shek must depart; (b) the Kungs, Soongs, and Chen brothers (prominent capitalist families in Nationalist China) must be handed over to the Communists; (c) the Kuomintang may remain as a major party in the government; and (d) the Chinese Army is to be placed under the Communists.

(CIA Comment: CIA considers this a plausible report and believes that peace feelers are being made at this time. In any negotiated settlement, the Communists would insist upon:

~~TOP SECRET~~

12 NOV 1948

49

~~TOP SECRET~~

838

GENERAL

1. France may demand change in Ruhr trusteeship order--
 US Ambassador Douglas in London believes that the French Government may demand a modification of the recent arrangements for German trusteeship of the Ruhr. US Ambassador Caffery in Paris quotes French Foreign Minister Schuman as finding it "almost incredible" that the US and the British had presented him with "a fait accompli" two days before the beginning of the London conference on the Ruhr.

(CIA Comment: CIA believes that the French Government will insist upon a modification of the recent US-UK ordinance concerning the Ruhr.)

FAR EAST

2. CHINA: Chinese people resigned to early Communist victory--
 US Embassy Nanking reports that the bulk of the Chinese populace and virtually all Chinese officials, except Chiang Kai-shek and his immediate entourage, have resigned themselves to an early Communist victory. The Embassy indicates that a stalemate has been created in the Government by the fact that those elements which favor peace have no means of making their views prevail upon Chiang. The Embassy considers that Chiang is not likely to give up the struggle but will probably attempt to defend Nanking and will commit suicide when a Communist victory becomes a certainty.

Document No. 037
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA R.M. 77/1763
 Date: _____ By: 028
 16 MAR 1978

~~TOP SECRET~~

13 NOV 1948
839

49
~~CONFIDENTIAL~~
TOP SECRET

EUROPE

- 1. **FRANCE: French policy toward Germany not realistic--**
US Ambassador Caffery reports that French Foreign Minister Schuman stated that: (1) he realizes full well that a good part of French policy toward Germany is not realistic but that the French people do not realize this; (2) France will have to abandon certain points in its German policy; and (3) in no event would he accept Soviet participation "in any form" in the Ruhr. Schuman added that he resented especially the timing of the recent action of the military commanders arranging for German trusteeship of the Ruhr.

(CIA Comment: CIA believes that because Schuman has revealed his conciliatory attitude toward over-all French policy on Germany, he may feel that he is in a stronger position for insisting upon a modification of the US-UK decision on the Ruhr.)

Document No. 038
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S (C)
 Auth: DDA Memo, 4 Apr 77
DDA REP. 77/1783
 Date: 16 MAR 77 By: 028

~~CONFIDENTIAL~~
TOP SECRET

15 NOV 1948

49

840

~~TOP SECRET~~

GENERAL

1. US position on French-German relations -- The Department of State has informed Secretary Marshall in Paris that the unfavorable French reaction to the US-UK military government trusteeship law, with its provision that the pattern of Ruhr ownership be decided by the future German government, is symptomatic of a larger French misunderstanding of US policy in Germany. The Department suggests that Secretary Marshall and Foreign Secretary Bevin might review with Foreign Minister Schuman the future tripartite policy toward Germany. The Department feels that it would be timely to spell out clearly and firmly to the French that the only real solution of the German problem, insofar as French security is concerned, lies in the establishment of a stronger political and economic organization of western Europe. In the Department's view, the US cannot contribute substantial financial help to France and at the same time increase its burden with respect to Germany. The Department considers that in any settlement of the Ruhr problem, French security will be advanced not by international ownership and management but by: (a) the US commitment on German disarmament; (b) US support of a north Atlantic security system; (c) the establishment of a Ruhr authority to determine allocations of coal and steel; and (d) the US determination that foreign interests will be granted non-discriminatory treatment in Germany.

S-75

FAR EAST

2. CHINA: Anarchy anticipated following the fall of Chiang Kai-shek -- US Embassy Nanking believes that the principal Nationalist military forces remaining between Hsueh and Nanking will probably be destroyed by the Communists within the next two weeks. The Embassy is of the opinion that when this occurs the National Government will either disintegrate or flee southward. The

Document No. 039NO CHANGE in Class. DECLASSIFIED

- 1 -

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DPA REG. 77/1763

~~TOP SECRET~~Date: 6 MAR 1978By: 028

~~TOP SECRET~~

Embassy anticipates widespread civil unrest and a breakdown of law and order rather than an orderly transfer of power to a successor government. The Embassy therefore feels that the time has come to institute US emergency evacuation procedures for nearly all China.

3. KOREA: Postponement of US troop withdrawals urged--
US Representative Muccio in Seoul considers that only the postponement of US troop withdrawals would guarantee the Republic the minimum security necessary to maintain its independent existence. Muccio believes that such a postponement would allow: (a) the Republic time to make its economic rehabilitation program effective; (b) an appraisal of the strength and intentions of North and South Korean Communists after the USSR has completed the withdrawal of its troops; (c) further preparation of South Korean security forces to assume responsibility for internal and external security; and (d) further time for the Republic to make certain desirable political reforms. (US troop withdrawals are presently scheduled to be completed by 1 December 1948.)

(Date arrived at by interpretation of Seoul ZGDSR 1901, Nov. 14 (Army message). State Dept Control 4784.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

841

FAR EAST

1. CHINA: Withdrawal of US support for Chiang urged--
 According to US Ambassador Stuart, Vice President Li Tsung-jen has urged that the US inform Chiang Kai-shek he would best serve the cause of his people by withdrawing from office now before the Nationalists have suffered complete military defeat. Vice President Li expressed his confidence that new non-Communist leadership, if provided unequivocal US support, could contain the Communists north of the Yangtze river. Stuart suggests that in order to strengthen the will to resist of friendly Chinese groups, he be authorized to inform Nationalist leaders the US does not favor Communist participation in any new Chinese government, and that the US issue a clear-cut statement of its policy concerning Communist participation in governments.

S-75

S-5

Possible appeal to UN by Chiang--Ambassador Stuart reports that Chiang Kai-shek is giving serious consideration to the possibility of referring the Chinese civil war to the UN, as constituting a threat to world peace. Stuart believes that Chiang is motivated primarily by a desire to identify the Chinese Communists publicly as agents of the USSR and also by the hope that UN action might bring about a temporary cessation of hostilities. Stuart observes that from Chiang's viewpoint little would be lost at this stage by UN action which would bring the USSR openly onto the Chinese scene.

Document No. 040
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

842

GENERAL

- 1. Possible Nationalist withdrawal from Nanking--The Department of State has instructed US Ambassador Stuart that, if Chiang Kai-shek and his government depart from Nanking, Stuart should seek instructions from Washington before making any decisions about leaving the capital. The Department has also advised Stuart to inform the Chinese Government, if he is approached by them concerning this matter, that he must refer the problem to the US Government which will make a decision in the light of the situation existing at that time.

S-TS

Document No. 041

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

18 NOV 1948

49

~~TOP SECRET~~

843

GENERAL

1. Chinese contemplating appeal to UN--The Chinese representative at the UN has informed the US delegation that the National Government is contemplating appealing to the UN Security Council regarding Soviet aid to the Chinese Communists. The Chinese representative indicated that the Government considers that such an appeal would have great importance in convincing Chinese "fellow travellers" that the independence of their country is at stake; however, the representative fears that the appeal might interfere with US aid to the National Government. Secretary Marshall told the representative that the US would support China in the Security Council if the National Government makes such an appeal. The US delegation expresses its concern over the ability of the Chinese Government to furnish convincing proof for its case.

S-7S

S-5

Possible revolt in Taiwan--A Taiwanese (Formosan) leader has informed the US Consulate General in Shanghai that if Nanking falls Taiwanese patriots will stage a non-Communist independence uprising. Source declared that the Taiwanese would see that no harm came to US nationals, but warned that US aid in the removal of Nationalist officials and armed forces from China to Taiwan would be interpreted as an act to thwart the independence movement. Source indicated that certain high Nationalist officials have asked for his help in setting up the National Government in Taiwan. He expressed the view that the National Government would not move to Taiwan, where it would become "trapped" on unfriendly ground, unless it were assured of increased US aid.

According to US Embassy Nanking, the Chinese Air Force and Navy plan to establish their principal bases in Taiwan if Nanking falls. The Embassy believes that the Nationalists could hold Taiwan against possible Communist attack for an almost indefinite period, but warns that an influx of mainland Chinese officials into Taiwan would precipitate disturbances which may reach "considerable proportions."

Document No. 042- 1 - NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~ DDA Memo, 4 Apr 77

Auth: DDA REP. 77/1763

Date: 6 MAR 1978 By: 028

~~TOP SECRET~~

(CIA Comment: CIA believes that the crumbling position of Chiang Kai-shek's Government, coupled with the hatred of the Taiwanese for the mainland Chinese, has very likely set the stage for a revolt in Taiwan. The uprising might easily be set off by the movement of Nationalist forces into Taiwan.)

2. Progress in drafting Atlantic Pact--US Embassy London has been told by a UK Foreign Office official that good progress in drafting an Atlantic Pact has been made by a drafting committee and that approval by the five western union governments is anticipated by 25 November. The British official indicated that the points yet to be reconciled include: (a) the machinery necessary for carrying out the agreement; and (b) the position the western union nations will take concerning provisions for automatic assistance in case of war or emergency. According to the official, the drafting committee is particularly concerned over the limitations imposed on such automatic assistance by the constitutional processes of the US.

S - TS

NEAR EAST-AFRICA

3. PALESTINE: Arabs may be willing to negotiate--The Prime Minister of Transjordan has informed US Representative Stabler that all the delegations at a recent Arab League meeting appeared to consider that further postponement of a Palestine settlement would not be advantageous to the Arabs. The Prime Minister feels that the 16 November UN resolution (which urges an armistice, with a demilitarized area between Arab and Jewish forces) might provide an opening for the Arabs to commence negotiations with the Jews. The Prime Minister declared that if the other Arab states agreed to negotiate with the Jews and wished to place the blame on Transjordan for such a move, Transjordan would not object.

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

844

EUROPE

1. FRANCE: Ending of coal strike not in sight--According to US Embassy Paris, the French Ministry of Interior is not optimistic about prospects for an end to the coal strike, although "roughly two-thirds of the underground miners" are now back at work. The Ministry has reportedly learned that the General Confederation of Labor (CGT) has received enough money from abroad to support the striking miners "for an indefinite period."

(CIA Comment: CIA believes that the CGT will be successful, with the help of foreign funds, in prolonging the current strikes against the production and import of coal, at least until the fate of the Queuille Government is decided.)

NEAR EAST-AFRICA

2. INDIA: Pakistan to seek UN action against Indian "offensive"-- US Ambassador Lewis in Karachi reports that Pakistan's UN delegation has been instructed to protest to the Security Council against a "major Indian offensive" now taking place in Kashmir. According to Lewis, the Pakistan delegation has been instructed to: (a) present detailed charges that India has violated its agreements with the UN Commission on India and Pakistan by reinforcing its Kashmir contingents and attacking in strength; and (b) emphasize to the Security Council that Pakistan will be compelled to stage an all-out counter-offensive unless immediate steps are taken to halt the Indian drive. According to the US delegation at the UN, the UK Government has, at Pakistan's request, already sent a message of warning to Indian Prime Minister Nehru.

S-5

(CIA Comment: CIA considers that even though some reinforcement of India's Kashmir garrisons has taken place, Pakistan's reports of a "major offensive" are probably

Document No. 043- 1 - NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~TOP SECRET~~Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

exaggerated. It is unlikely that India would risk setting off an all-out war through such an offensive. In view of Pakistan's exaggerated fears of Indian intentions, however, it is possible that Pakistan might bring on general hostilities by rushing into a "counter-offensive.")

FAR EAST

3. CHINA: Communists temporarily halted at Hsuehou--US Embassy Nanking reports that in the initial phase of the battle of Hsuehou, the Nationalist forces have successfully resisted the Communist assault. The Embassy indicates that Nationalist Supreme Headquarters is "amazed" by this success, which stemmed largely from the determination of field commanders and troops to fight and from effective tactical support by the Air Forces. The US Military, Naval, and Air Attaches in Nanking estimate that there will be a two or three day lull while Communist units re-group and re-equip; the Embassy expresses the view that the Communists may be unable to resume the offensive in the Hsuehou area for some weeks and that there may be a stalemate of considerable duration.

5-5

(CIA Comment: CIA believes that the unexpected Nationalist resistance at Hsuehou has caused Communist General Chen Yi to revise his plans and withdraw in order to re-group his forces before continuing the battle for Central China. The time required for this maneuver will give the National Government a short respite.)

- 2 -

~~TOP SECRET~~

49

~~TOP SECRET~~

845

FAR EAST

1. **INDONESIA: Dutch Cabinet returns Stikker to Batavia**--US Ambassador Baruch in the Hague has been informed by Dutch Foreign Minister Stikker that the Dutch Cabinet has reached a decision which will permit Stikker to return to Indonesia. Stikker told Baruch that, as a result of the Cabinet decision, he is now "much more hopeful" of achieving a "final favorable settlement" of the Indonesian dispute.

THE AMERICAS

2. **VENEZUELA: Government reported confident in crisis**--US Ambassador Donnelly has been informed by the Venezuelan Foreign Minister that President Gallegos is confident the government will weather the present crisis which has been caused by the threat of an army coup. Donnelly reports, however, that tension is increasing and that full army alert continues.

(CIA Comment: Although the situation is serious, CIA believes that the Government has a somewhat better than even chance of surviving.)

Document No. 044NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763Date: 16 MAR 1978 By: 028~~TOP SECRET~~

22 NOV 1948

49

~~TOP SECRET~~

846

GENERAL

1. US policy concerning aid to Iran--The Department of State (with the concurrence of the Department of Defense) has advised US Ambassador Wiley to tell the Iranian Chief of Staff, in reply to his recent inquiries, that Iran may be assured of all assistance compatible with available US resources in the event of war involving the US, Iran, and the USSR. The Department believes that because the USSR would in such a war have an aggressor's initial advantage, Iran should formulate plans for resisting as long as possible and for carrying on, if necessary, extensive guerrilla warfare. The Department points out that the US cannot be more specific in its advice or assurances because it cannot foresee what world-wide demands may be made upon the US if war breaks out. S-TS
2. Possible membership in Atlantic Pact--US Embassy London has been informed by the French Ambassador that the five western European union powers are in agreement that: S-TS
 (a) Iceland, Norway, Denmark, Portugal, and Ireland should be included in the proposed Atlantic Pact (France is alone in favoring an early inclusion of Italy); (b) the US, Canada, and the five powers should agree in principle upon the Pact before inviting other countries to participate in the discussions; (c) an Atlantic Pact "military committee" should be established; and (d) in order to avoid the unwieldiness of this large group, the western European union organization should be retained, with continuing US-Canadian representation. The French Ambassador also envisioned the eventual formation of a combined chiefs of staff, comprising only the US, the UK, France, and possibly Canada.

According to US Embassy Brussels, Prime Minister Spaak strongly favors the restriction of the initial Atlantic Pact membership to the US, Canada, and the five western European union powers because of his view that premature action to incorporate other nations would "dilute the results."

Document No. 045- 1 - NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

3. US favors UN action on Kashmir--The Department of State has informed the US delegation at the UN that although it is inclined to view the Pakistani interpretation of Indian military activity as somewhat exaggerated, the Department considers the possibility of increased fighting there to be great enough to justify firm Security Council action. The Department favors a three-fold approach by the SC, including a cease-fire, a truce, and a plebiscite.

S-TS

FAR EAST

4. CHINA: Kuomintang leaders seek to oust Chiang Kai-shek--The US Military, Naval, and Air Attaches in Nanking report that a group of important Kuomintang leaders are organizing to force the retirement of Chiang Kai-shek and to make peace with the Communists. The Attaches indicate that the group, which represents nearly all important Nationalist factions except the Whampoa clique, plans at a 25 November meeting in Nanking to tell Chiang that he should yield power, thus enabling Li Tsung-jen to take over, issue a cease-fire order, and open negotiations with the Communists. The Attaches believe that execution of this plan is improbable at present, largely because the Communists would probably not be willing to concede favorable terms to the bankrupt and defeated Government.

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. US position on Atlantic Pact membership--In commenting on views recently expressed by Belgian Premier Spaak concerning an Atlantic Pact, the Department of State has pointed out to US Embassy Brussels that: (a) the US is not interested in entering a North Atlantic Pact with the western European union powers alone; and (b) the US attaches great importance to a mutually satisfactory provision for the original membership of other Atlantic countries, particularly Italy. The Department estimates that at least three months will be required between the conclusion of exploratory talks by the western European union powers in London and the submission of a possible Atlantic Pact to the US Senate.

S-5

2. Reported Soviet pressure for East-West railway break--US Embassy Prague has learned from a "reliable source" in [redacted] that the USSR is bringing pressure on the Satellites to withdraw from existing international railway traffic agreements and participate in the establishment of a "strictly eastern European railway transport system." According to source, the Czechoslovak Government anticipates that such a development would have a "catastrophic" effect on its foreign trade because it would necessitate the re-loading of all East-West shipments at the Czechoslovak border. Source considers it doubtful that the Government will argue the matter with the USSR even though Czechoslovak technicians are determined to resist the change; the Czechoslovak Foreign Office reportedly expects Poland to accede reluctantly.

3.3(h)(2)

(CIA Comment: CIA considers that this development primarily reflects a deep-seated Soviet dislike of all international agreements encompassing eastern and western participants. The primary Soviet objective is probably to extend and tighten its control over Satellite transport by coordinating rail lines in the USSR and Satellite areas under agreements which exclude the western powers, even though such an arrangement would certainly create serious restrictions in East-West trade.)

Document No. 046

- 1 -

NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~ Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

3. British reaction to US speech on Palestine--US Embassy
London reports that there has been "a very unfavorable" reaction by the UK Foreign Office to US Delegate Jessup's 20 November speech on Palestine before the General Assembly. According to the Embassy, the aspects of the speech that particularly disturbed the Foreign Office were: (a) the abandonment of the principle that the General Assembly lay down a final settlement and subsequently call for acquiescence by the parties; and (b) the position that the partition plan boundaries can be changed only with Israeli consent.

NEAR EAST-AFRICA

4. IRAN: Government seen threatened by grain shortages--
US Ambassador Wiley reports that Prime Minister Saed, faced with serious grain shortages which have already caused bread riots in the provinces, has urgently requested US assistance in obtaining additional wheat. Wiley considers that the US should do everything in its power to meet Saed's request inasmuch as the Saed Cabinet's position is already precarious and its successor would probably be less friendly to the US.

- 2 -

~~TOP SECRET~~

~~SECRET~~

Copy No. 58

**CENTRAL INTELLIGENCE AGENCY
Special Evaluation No. 38**

Document No. 047
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO: TS S C
Auth: DDA Memo, 4 Apr. 77
DDA REG. 77/1763
Date: 16 MAR 1979 By: 028

~~SECRET~~

~~SECRET~~

24 November 1948

THE MILITARY SITUATION IN CHINA

The present mission of the Chinese Communist armies is to destroy the effectiveness of the Nationalist military field forces and thereby eliminate organized Nationalist resistance. It is this objective, and not merely an intention to capture Nanking, that is determining the pattern of the present all-out Communist campaign, which is extending from Hopeh Province to the environs of Nanking. In achieving this objective, the Communists now appear committed to a concerted drive against Nationalist concentrations in the Hsuehou sector. Although the Communists are also massing for attacks in North China, a major move against Nationalist forces in the Tientsin-Peiping corridor will probably await the outcome of the battle for Hsuehou. If Communist operations continue at the present accelerated tempo, it is estimated that Communist forces may successfully attain their objective within the next 30 days. The collapse of organized Nationalist military resistance will probably force Chiang Kai-shek's Government to flee south or surrender to the Communists.

Estimated Strengths Although the National Government currently claims to have over two million men under arms, a more realistic estimate of the strength of the Government's tactical forces would probably be slightly less than one million troops capable of effective employment against Communist forces in North and Central China. However, the loyalty and combat efficiency of a large percentage of the tactical troops in Central China is questionable. On the other hand, the total number of Communist effectives is believed to exceed one and one-half million troops, possessing high morale and fairly good equipment.

North China In North China, the Nationalist Commander Fu Tso-yi has under his immediate command approximately 300,000 well-trained and fairly well-equipped

- 1 -

~~SECRET~~

~~SECRET~~

veterans. In holding the vital, though extremely vulnerable, Tientsin-Peiping-Kalgan corridor, General Fu faces approximately 300,000 Communist troops grouped to the west of Peiping. Furthermore, as a consequence of the fall of Manchuria, at least 400,000 additional Communist troops have become available for operations against General Fu. This constitutes a potential threat of 700,000 Communist troops presently available for a North or Central China operation. Although North China is at present relatively quiet, current reports indicate that the Communists are now concentrating north of the vital Kailan coal-mining region, and may soon launch a drive in the Peiping-Tientsin area. If the Communists should undertake such an offensive, they would probably be successful, despite General Fu's intention to defend this area, in forcing Fu's withdrawal westward into the Province of Suiyuan. This would permit the Communists to occupy Peiping, Tientsin, and the corridor. Communist forces in North China appear at present to be awaiting the outcome of the battle for Hsuchou in Central China before making any major move.

Central China In Central China, Communist forces are currently estimated to number 400,000 troops; they are capably led by Generals Chen Yi and Liu Po-cheng. Nationalist forces number approximately 300,000. Following their temporary withdrawal on 17 November when confronted with determined and surprising Nationalist resistance to the initial attack, the Communists have resumed their attack in the Hsuchou area with feverish intensity. This Communist setback appears to have been caused by a miscalculation on the part of Communist General Chen Yi who anticipated that Nationalist troops would defect in large numbers at Hsuchou, much as they have done recently in Tsinan and Manchuria. Present Communist strategy appears to be designed to prevent a consolidation of Nationalist forces in the Suhsien area between Hsuchou and Pangfou and to isolate

- 2 -

~~SECRET~~

~~SECRET~~

the Nationalists in three pockets of resistance located east of Hsuchou, north of Pangfou, and near Mengcheng (north-west of Pangfou).

Conclusion US field estimates indicate that the Communist forces are capable of isolating and destroying these Nationalist pockets of resistance, a development which would effectively destroy the Nationalist military machine and open the road to Nanking. The Communists unquestionably possess the initiative and the capability to accomplish their mission. Whether it will require weeks or months depends upon how long Chiang Kai-shek can retain the loyalty and will to fight of an effective number of his troops.

- 3 -

~~SECRET~~



24 NOV 1948

49

~~TOP SECRET~~

848

GENERAL

1. US opposes Nationalist coalition with Chinese Communists--
The Department of State has authorized US Ambassador Stuart in Nanking to indicate informally to Nationalist leaders that the US "does not favor Communist participation in governments in China or elsewhere." The Department also advised Stuart that careful consideration is being given to the possible issuance of a statement on the US position toward China.

S-TS

EUROPE

2. FRANCE: Government faces crisis on Ruhr issue--US
Ambassador Caffery expresses his doubt that the Queuille Government can weather an "Assembly storm" unless the US can do something direct and concrete to help Foreign Minister Schuman who is doing his best to avoid a crisis in France over the recent announcement concerning the Ruhr. According to US Embassy Moscow, the attention the Soviet press is devoting to French dissatisfaction with the tripartite negotiations on western Germany suggests that the USSR is hopeful that the Ruhr issue will seriously disrupt the present tripartite unity.

S-S

(CIA Comment: CIA believes that the reaction of the French to the recent US-UK announcement on the Ruhr has been sufficiently intense to cause serious repercussions in future US-UK-French negotiations concerning tripartite policy toward west Germany.)

3. GREECE: AMAG urges no increase be made in military aid--
AMAG Chief Grady recommends that the budget for US military aid to Greece during the next fiscal year should not be substantially larger than this year's total of \$150 million, despite estimates by the Joint US Military Aid Planning Group in Greece that sums of either \$450 million

Document No. 648- 1 - NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

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

Date: ~~16 MAR 1978~~ By: 028

~~TOP SECRET~~

or \$541 million are required. Grady believes that: (a) in view of the ineffectiveness of past increases in US military aid, there is no justification for the assumption that the proposed increases will enable the Greek Army to make appreciable progress against the guerrillas; (b) an increase in US financial obligations might play into the hands of the Communists, who are attaining their objectives with little money and equipment; and (c) continuation of even the present military burden on the Greek economy will reduce ECA activity in Greece to a mere relief program. Grady asserts that US objectives in Greece might in the long run be better secured if the US supported an actual reduction of the Greek Army's size.

- 2 -

~~TOP SECRET~~

26 NOV 1948

49

849

~~TOP SECRET~~

GENERAL

1. Recent Soviet moves to split Berlin--US Ambassador Murphy considers, in view of recently intensified Soviet moves to split the Berlin government and tighten the blockade of the western sectors, that the Berlin problem has now advanced far beyond the blockade and currency impasse of July 1948 with which UN negotiations are currently dealing. Murphy therefore believes that "full knowledge and understanding" of recent Soviet actions and motives are required in order to prevent misunderstanding in neutral nations and world opinion in the event that the western nations find it necessary to refuse an apparent solution reached by the UN.

(CIA Comment: CIA considers that the possibilities of effecting a unification of the Berlin city administration are becoming increasingly remote in view of recent Soviet actions in splitting the city.)

2. Italy protests US position on Eritrea--Italian Foreign Minister Sforza has informed US Ambassador Dunn that the US decision to favor the cession of parts of Eritrea to Ethiopia would have serious political repercussions in Italy and might damage the US position in that country beyond repair. Ambassador Dunn does not consider that Sforza has exaggerated the gravity of the situation and recommends that the US position be reconsidered. In reply to the Italian Government's request that the US advocate postponement of the disposition of Italy's foreign colonies until 1949, the US Department of State has declared that the Italian request will be referred to the US delegation in Paris for consideration "in the light of all factors involved."

Document No. 049NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

- 1 -

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763Date: 16 MAR 1978 By: 028~~TOP SECRET~~

~~TOP SECRET~~

FAR EAST

3. CHINA: Nationalist leaders plan war cabinet without Chiang--
US Embassy Nanking reports that Nationalist political leaders are currently considering the formation of a war cabinet in order to make an all-out effort to contain the Communists north of the Yangtze River. According to the Embassy, the plan envisages: (a) the withdrawal of Chiang Kai-shek from active participation in the Government, but his retention of the nominal status of president; (b) the formation of a new war cabinet with full emergency powers under the premiership of some national figure; (c) the abandonment of North China; and (d) the establishment of a defense line along the Yangtze River, utilizing the full power of the Nationalist Navy and the Air Force to prevent major Communist crossings.

(CIA Comment: CIA believes such a plan is basically sound and might have had success several months earlier, It is doubtful whether such a plan could be implemented now before the Communist armies reach Nanking.)

THE AMERICAS

4. ^{pic} GUADELOUPE: Possible Communist demonstrations--US
✓ vice-consul Bartelt in Martinique reports that a "metro-politan Communist" agitator recently arrived at Guadeloupe and is planning by means of mass strikes and demonstrations to disrupt the 30 November West Indian Conference, to which the US is sending delegates.

(CIA Comment: CIA considers serious Communist-inspired disturbances a possibility. In such an event, the local police will not be able to maintain law and order or afford US citizens adequate protection.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

5. VENEZUELA: Military junta fears civil disturbances [redacted]

[redacted] that Accion Democratica groups in Venezuela have recently offered some armed opposition to the military group which has taken power in Venezuela and that the army is "worried about" interior points which are distant from army posts. US Embassy Caracas reports heavy firing on 25 November in the center of Caracas and adds that the military junta has suspended more civil liberties.

3.3(h)(2)

(CIA Comment: CIA considers: (a) the army has been too optimistic concerning the completeness of its success; and (b) the chances are good that there will be outbreaks of violence by partisans of Accion Democratica.)

6. NICARAGUA: Possible move by Caribbean Legion--US Ambassador Shaw in Managua has been told [redacted]

[redacted] that the President of Guatemala will probably supply the Caribbean Legion with arms with which to move against Dictator Somoza in Nicaragua and President Carias in Honduras. Shaw expresses the view, however, that this information is being so openly discussed that no imminent action is indicated.

3.3(h)(2)

(CIA Comment: CIA believes that the Caribbean Legion may take action against Somoza at any time during the next month. Open discussion of these plans will probably not deter the Legion from taking action inasmuch as the Legion has sought publicity as a means of gaining popular support.)

- 3 -

~~TOP SECRET~~

27 NOV 1948

50

~~TOP SECRET~~

850

GENERAL

1. French suggest delay of 5 December Berlin elections -- US Ambassador Caffery in Paris transmits a communication from Foreign Minister Schuman suggesting that the 5 December municipal elections in the western sectors of Berlin might be postponed. Schuman points out that, because the USSR has refused to authorize similar elections in the Soviet sector, the holding of the 5 December elections would: (a) formalize the division of the Berlin administration; (b) make it "impossible" to maintain the present situation in which the eastern zone mark is accepted as legal tender in the western sectors; (c) crystallize the current situation in Berlin and make the division of the city "irremediable"; and (d) aggravate the Berlin problem at a time when the Security Council is still seeking a concrete solution.

EUROPE

2. FRANCE: Communist concern over "bad" strike situation -- The US Military Attache in Paris has been reliably informed that French Communist leader Thorez considers the present strike situation in France "not good" from the Communist point of view. Thorez reportedly admits that the French coal strike is now "virtually non-existent," with only the most faithful Communist Party members still following orders. Thorez is reported to believe that the Communist-dominated CGT must now have a rest period, during which "future battles will be prepared."
3. YUGOSLAVIA: Tito reported seeking closer ties with Italy -- US Embassy Rome has received information from a usually reliable source, which it is otherwise unable to confirm, that a personal emissary of Marshal Tito has contacted the Italian

Document No. 050NO CHANGE in Class. - 1 - ~~TOP SECRET~~ DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~: DDA Memo, 4 Apr 77
DDA REC. 77/1763Date: 6 MAR 1978 By: 028

~~TOP SECRET~~

Government. According to this information, Tito has decided that he would lose less by turning toward Italy than toward the USSR. Tito is said to have therefore requested a settlement of outstanding issues between Yugoslavia and Italy.

(CIA Comment: Although it is possibly true that Tito wants to settle some minor outstanding issues with Italy, CIA considers it unlikely that he will break the remaining Soviet-Yugoslav ties at this time.)

- 2 -

~~TOP SECRET~~

29 NOV 1948

50

~~TOP SECRET~~

851

EUROPE

1. ITALY: Colonial issue may imperil Government--US Ambassador Dunn considers that the measures presently contemplated by the US on the problem of Italy's former colonies will "fall far short" of placating strong Italian public feeling on the subject. Dunn believes that present US policy on the Italian colonies gives the Communists "their first real opportunity" for a successful attack on the De Gasperi Government and may even bring about the formation of a new Italian government which would not continue Italy's cooperation with the West. Dunn urges, if over-all US policy does not permit a more favorable position toward Italy, that General Assembly debate of the colonial problem be postponed.

S - T S

(CIA Comment: CIA concurs in Ambassador Dunn's estimate of the probable serious effects in Italy which would result from General Assembly action at the present time on the US-UK proposal.)

THE AMERICAS

2. GUADELOUPE: Possible Communist demonstrations--US Vice Consul Bartelt in Martinique reports that there now appears no need to fear for the personal security of the US delegation as a consequence of possible Communist demonstrations during the 30 November West Indian Conference. Bartelt considers, however, that the entire conference may lose considerable prestige if the threatened demonstrations are carried out. He adds that a French cruiser and a sub-chaser have been directed to Guadeloupe for possible action in the event of trouble.

Document No. 051NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763~~TOP SECRET~~Date: 16 MAR 1978 By: 028

30 NOV 1948
852

50
~~TOP SECRET~~

GENERAL

1. Berlin elections not to be postponed--US Ambassador Caffery has informed French Foreign Minister Schuman that the US does not consider that it could postpone the 5 December Berlin municipal elections, which are being carried out in accordance with the Berlin Constitution agreed upon by the Four Powers in 1946. Caffery pointed out that, in holding the election at this time in the western sectors, the western powers are honoring their obligation whereas the USSR, by forbidding elections in the eastern sector, is violating this Four-Power agreement. Caffery declared that the US does not consider that the elections themselves would bring about an "irremediable division" in Berlin but believes instead that the city is already effectively divided by actions taken by the Soviet authorities.

S - TS

2. Spaak's views on Atlantic Pact membership--Belgian Premier Spaak has told US Ambassador Kirk that any country the US chooses to invite for inclusion in the Atlantic Pact will be satisfactory to Belgium. Spaak added, however, that any proposed extension of the pact would have to receive careful diplomatic preparation. Ambassador Kirk expresses his opinion that Spaak still considers that a stronger pact would result from limiting the membership at the outset and building up the military strength of such a close-knit organization. Concerning the possible range of a North Atlantic Pact, Spaak indicated: (a) free acceptance of the US strategic need for inclusion of Iceland and Greenland; (b) doubt that the Scandinavian states should be included; and (c) concern lest the Belgian Congo be omitted from defense arrangements.

S - TS

3. Scandinavians desire assurance of military aid--According to US Ambassador Marvel in Copenhagen, the British Ambassador to Norway has expressed the opinion that Norway is

S - S
- S

Document No. 052

NO CHANGE in Class.

DECLASSIFIED

- 1 - Class. CHANGED TO: TS S 3

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~TOP SECRET~~ Date: 6 MAR 1978 By: 028

~~TOP SECRET~~

unlikely to participate in North Atlantic Pact talks unless assurances are given as to the amount of aid Norway could expect. Marvel believes that Danish participation is dependent upon similar assurances.

US Ambassador Matthews in Stockholm expresses his view that Sweden is now officially aware of the impossibility of unilateral US military aid. He considers that this awareness will not only make the Swedes think more seriously about their isolation but will prevent them from arguing with the Danes and Norwegians that US military aid is possible without membership in a North Atlantic Pact.

- 2 -

~~TOP SECRET~~

50

~~TOP SECRET~~

853

FAR EAST

1. **CHINA: International force to protect Shanghai suggested--**
 According to US Embassy Nanking, the rapid deterioration of the military situation may soon lead to a breakdown of local authority in Shanghai. The Embassy points out that during the chaotic period preceding the Communist occupation, foreign lives and property in Shanghai may be endangered. The Embassy suggests that in such circumstances the US Navy "may feel obliged to take unilateral action," sending forces ashore to protect US lives and to aid in an emergency evacuation. The Embassy considers that it would be more desirable if, by prearranged invitation of the Chinese Government, an international force performed such policing, and believes that such an arrangement would probably be acceptable to the Communists.

Nationalists may have "written off" Shanghai--The Commander of US Naval Port Facilities in Shanghai considers that the National Government may have already "written off" the Yangtze delta. He bases this view on information indicating that: (a) the Government has ordered the transfer within two weeks of all Shanghai ammunition and military supplies to Fukien Province; and (b) Nationalist troop strength in the delta area is less than 30,000.

Document No. 053NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763Date: 16 MAR 1978 By: 028~~TOP SECRET~~

2 DEC 1948

~~50~~
~~TOP SECRET~~

854

GENERAL

1. US urges tripartite statement on Berlin--The Department of State has informed the US delegation in Paris that it interprets Marshal Sokolovsky's recent letter to the three military governors in Berlin as a blatant attempt to place responsibility upon the western powers for the Berlin elections of 5 December, thus making them appear responsible for splitting the city's administration. The Department considers that: (a) this letter, together with recent events in Berlin, provides clear evidence that the USSR is using illegal methods to secure control of Berlin; (b) a continuation of such methods may well constitute a threat to peace equivalent to that already created by the blockade; and (c) the western powers should issue a statement which would denounce these Soviet tactics and demonstrate Soviet interference with UN efforts to solve the Berlin question.

US Ambassador Smith in Moscow expresses his view that it would be advisable for the US delegation at the UN to issue a strong US statement on this matter.

2. US position on Tripolitania--The Department of State has reminded the US delegation at the UN that a US vote against Italy on the disposition of Tripolitania may not only damage US prestige in Italy but might endanger the present Italian Government. The Department has therefore instructed the US delegation: (a) to avoid voting against Italian trusteeship for Tripolitania, if possible; and (b) to regard a postponement of the Italian colonies settlement as the only desirable alternative. The US delegation has also been instructed, in view of the US commitment to obtain a British trusteeship for Cyrenaica this year, to secure British approval before advocating general postponement of this question.

Document No. 854
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C

Auth: DDA Memo, 4 Apr 77
 DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

British position on Italian colonies--According to US Embassy London, the UK Foreign Office still intends to make every effort at the current General Assembly session to obtain a trusteeship over Cyrenaica because the British realize that the chances for obtaining such a settlement will be less favorable next year. Although the Foreign Office will reportedly work for postponement of a decision on Libya if the US-UK program is not approved, the British are extremely anxious to obtain an immediate disposition of the two remaining Italian colonies (Eritrea and Italian Somaliland). The UK considers its present expense in administering these two colonies to be burdensome.

FAR EAST

3. CHINA: Removal of National Government from Nanking--

a "usually reliable" Chinese official that certain Nationalist leaders have submitted to Chiang Kai-shek a plan for the removal of the Government from Nanking to Canton and Chungking. Source believes that Chiang has concurred in principle to this plan and has given his tacit consent. In transmitting this report, US Embassy Nanking comments that it is hard to see how the transplanted Government will be able to perform its essential functions and exercise effective control over the unoccupied portions of China. The Embassy considers therefore that provincial administrations in west, southwest, and south China will probably develop a considerable degree of autonomy.

The US Military, Naval, and Air Attaches in Nanking report that the Nationalist Foreign Office is "definitely" going to Canton and the other departments will probably be split between Canton and Chungking. The Attaches consider

Document No. _____

NO CHANGE in Class. - 2 DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/17e3

~~TOP SECRET~~Date: _____ By: 028

3.3(h)(2)

~~TOP SECRET~~

that the remaining Nationalist defense positions above the Yangtze River have been made hopeless by Communist infiltration and the prevailing general confusion.

(CIA Comment: CIA believes that this belated, poorly-organized effort to move the National Government will involve a serious loss of prestige and authority. The transferred Government will probably be unable to maintain control in the greater part of non-Communist China for long.)

THE AMERICAS

4. **ECUADOR: Dissatisfaction within the army increasing--** The US Military and Air Attaches in Quito report that a "subversive movement inside the Ecuadoran Army" is growing fast and that the situation is very tense. The Attaches also report "strong indications" that an army coup may be expected.

(CIA Comment: CIA reports indicate that the leaders of the dissident army groups are opposed to President Galo Plaza. These opposition forces are capable of gaining control of the army by effective collaboration.)

- 3 -

~~TOP SECRET~~

3 DEC 1949

50
~~TOP SECRET~~

855

GENERAL

1. US views on policing Shanghai--The Department of State has informed the US Consul General in Shanghai that it is disturbed by the possible implications of an international police force for Shanghai, as proposed by the mayor of Shanghai for the period of transition to Communist rule. The Department considers that the establishment of international control during this period would involve: (a) the use of a considerable force; (b) the problem of ensuring the city's food supply; and (c) the necessary inclusion of Soviet forces. The Department also believes that, if such an international force assumed control, the Communists might not only avoid responsibility for municipal rule in Shanghai until the time seemed propitious for taking over, but might try to precipitate clashes between the international force and Communist underground elements. The Department concludes that the risks and implications of an emergency landing of US Marines to protect US citizens appear far less serious than those involved in policing the entire city.
2. Dutch "pessimistic" about Indonesian discussions--US Ambassador Baruch reports from The Hague that Netherlands Prime Minister Drees is "quite pessimistic" about the outcome of the Dutch-Republican conversations in Indonesia. Drees expressed to Baruch the opinion that the Republicans are relying absolutely on their impression that the US and the UN will not permit Dutch military action in Indonesia. Baruch received from Drees the impression that although the Dutch regard a peaceful settlement as still possible, Dutch military action is inevitable if an early settlement is not reached.

The US representative to the Good Offices Committee in Batavia reports that Dutch-Republican conversations are now at an extremely critical stage. The

Document No. 655NO CHANGE in Class. - 1 - DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~ DDA Memo, 4 Apr 77
Auth: 1 DDA REG. 77/1763
6 MAR 1978

Date: _____ By: 028

~~TOP SECRET~~

representative indicates that he hopes to secure from Republican Premier Hatta a clarifying statement on crucial military questions, which may be effective in preventing the Dutch delegation from abandoning the conversations.

(CIA Comment: The key issues in the Indonesian dispute continue to be the method of implementing the truce and the disposition and control of Dutch and Republican military forces. CIA considers that: (a) it is highly unlikely that the Hatta Government can meet the present Dutch demands and survive; and (b) the continuance of Dutch-Republican conversations and the averting of military action depend primarily on what pressure the GOC can bring to bear upon the Dutch.)

- 2 -

~~TOP SECRET~~

4 DEC 1948

50

~~TOP SECRET~~

856

GENERAL

- 1. US may be blamed for Latin American coups --US Ambassador Warren in Asuncion expresses concern over the fact that political instability in various Latin American countries may be conducive to the establishment of further military governments similar to those recently set up in Peru and Venezuela. Warren suggests that the use of US arms and munitions by the groups accomplishing such military coups may lead democratic elements in Latin America to blame the US for such coups. The Ambassador further expresses the opinion that the present US recognition policy plays into the hands of military groups and could contribute to eventual dominance by the military caste throughout Latin America.

(CIA Comment: CIA considers that military governments established to date would have come to power with or without US arms and munitions. CIA agrees, however, that democratic elements favoring the civilian governments displaced by such coups may feel that US arms made the coups possible.)

Document No. 056
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

6 DEC 1948
857

50

~~TOP SECRET~~

GENERAL

1. Sealing of Greek northern border held necessary--US Minister Heath in Sofia feels that the recent efforts of President Evatt and other General Assembly officials to arrange for the "conciliation" of Greece's dispute with the northern neighbors are irrelevant and serve to confuse the real issue. Heath considers that the US should take every opportunity to point out that the dispute is not an ordinary border quarrel but a blunt case of interference by three Soviet dependencies in the internal politics of a UN member. Heath believes that completely cutting off outside aid to the guerrillas is the only solution to the Greek problem, and he suggests that the US wait no longer to make the sealing of Greece's northern border the immediate objective of its Greek policy.

CIA: S

(CIA Comment: CIA considers it unlikely that the current talks between Greece and the northern neighbors will have any constructive results, notwithstanding optimistic reports from President Evatt of the General Assembly.)

FAR EAST

2. CHINA: National Government leaving Nanking--US Embassy Nanking reports that a "very considerable exodus" of Nationalist officials from Nanking is already under way. The Embassy indicates that certain key Government figures will remain until the last moment in order to lend credibility to public announcements that the Government intends to stay. The Embassy estimates that the Nationalists will not be able to move the entire government and will have to abandon the "bottom third or half" of the Nanking personnel.

S S

Document No. 657
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 - 1 -
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

3. **INDONESIA: Dutch-Republican talks broken off--**The US representative to the UN Good Offices Committee reports that: (a) the recent Netherland-Republican conversations have broken down; and (b) the Dutch mission is returning to The Hague where it will recommend that a provisional government be set up immediately without the participation of the Indonesian Republic. The US representative indicates that the talks broke down because of the Republic's insistence on continued control of its own military forces and because of the failure of the Dutch to meet the Republican Premier's request for a gentleman's agreement not to use troops in the Republic's territory without the consent of the projected federal government.

S . . 5

(CIA Comment: CIA believes that the Dutch will proceed without the Republic in the establishment of an interim government but will not resume "police action" immediately. The Dutch will probably wait until accelerated economic and political deterioration in Republican territory have precipitated incidents sufficiently serious to bolster Dutch claims that military action is necessary.)

- 2 -

~~TOP SECRET~~

7 DEC 1948

50

858

~~TOP SECRET~~

GENERAL

1. US policy concerning aid to Greece--The Department of State has informed US Embassy Athens that no attempt will be made to provide US support for the establishment of a Greek army large enough to seal the northern borders of Greece or to defend Greece against full-scale invasion. The Department indicates that US military aid will be made available to Greece only to the extent required to eliminate large-scale guerrilla activity and thereafter to maintain reasonable internal security. The Department declares that military aid furnished to Greece will be evaluated in relation to the requirements of other countries which are united with the US in resisting Communist expansion. The Department adds that the US will not reduce its assistance below that required to prevent the domination of Greece by Communist elements without giving careful consideration to the impact such a decision would have on overall US objectives.

S-TS

Document No. 658NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

Auth: DDA Memo, 4 Apr 77
DDA REG. 77/1763Date: 16 MAR 1978 By: 028~~TOP SECRET~~

8 DEC 1948

50
~~TOP SECRET~~

859

GENERAL

- 1. UK to take no further initiative in UN on Palestine--A British Foreign Office official has informed US Embassy London that the UK has decided to take no further initiative regarding Palestine at the General Assembly. The Foreign Office has instructed the UK delegation at the UN that it should not join in "any lobbying" and should advise the Arab delegates of the British view that their opposition to the UK draft resolution: (a) is highly irresponsible and prejudicial to the best interests of the Arabs; and (b) makes it practically impossible for the British delegation to attempt to cooperate with the Arab delegates any more.

S-S

FAR EAST

- 2. CHINA: Nationalist Navy withdrawing from Tsingtao--US Embassy Nanking and the Commander US Naval Forces Western Pacific have been informed that Chiang Kai-shek has approved plans for the removal of the Tsingtao Naval Training Base and other naval installations to southern Taiwan. The Embassy indicates that the Chinese Naval Academy, now at Tsingtao, is to be established on the mainland at Amoy.

N-S
S-TS

Fall of Nanking thought imminent--The US Naval Attache in Nanking has been informed by a usually reliable source that the feeling is prevalent in the Nationalist High Command that Nanking can hold out no longer than ten days to two weeks after Government forces in the Hsuchou sector have been annihilated. The NA reports that all civil and military aircraft available are to be used in an effort to supply the encircled Nationalist units. The NA adds that Chiang Kai-shek is pleading with General Chennault to re-form the American Volunteer Group by any means possible.

N-S
N-S

Document No. 059

- 1 -
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C

~~TOP SECRET~~
 Date: 16 MAR 1978 By: 028
 DDA Memo, 4 Apr 77
 DDA REG. 77/1763

~~TOP SECRET~~

The Military Attache in Nanking transmits a Nationalist High Command report that the two surrounded Nationalist groups in the Hsuchou-Pangfou area can hold out for only a few more days. The MA considers that the situation in this sector is hopeless.

- 2 -

~~TOP SECRET~~

50
~~TOP SECRET~~

860

GENERAL

1. Indonesian issue imperils Dutch Cabinet--US Embassy The Hague expresses serious concern over possible repercussions in the Netherlands caused by US representations to the Dutch Government on the current breakdown of negotiations in Indonesia. The Embassy fears that such repercussions could lead to the fall of the Government and considers that some helpful step is needed to ease the Government's situation. S-S

2. Indonesian Republic to appeal for UN action--The US delegation to the UN reports from Paris that representatives of the Indonesian Republic have urged prompt Security Council action on the Dutch-Republican dispute before the Dutch Cabinet has made its "final decision" on Indonesia. The Indonesian Republic reportedly seeks an SC resolution which will call upon both parties to avoid military action and will expand the authority of the present UN Good Offices Committee in dealing with the dispute. S-S

3. UN Mediator considers time ripe to force Arab-Jewish agreement-- According to US Consul Burdette in Jerusalem, Acting UN Mediator Bunche believes that the psychological moment has arrived to exert strong pressure for an Arab-Jewish agreement. Bunche points out that: (a) Lebanon desires no further involvement in Palestine; (b) Syria is incapable of military action; and (c) King Abdullah of Transjordan has "pleaded" for strong UN directives that an armistice be reached with the Jews. Bunche adds that the main difficulty has come over Jewish-Egyptian negotiations, but that the Egyptians have now agreed to permanent truce lines. According to the US delegation at the UN, Bunche also regards the failure of the US to recognize Transjordan to be a real factor in the problem because non-recognition has made Transjordan more hesitant about taking the initiative in political discussions with the Jews. S-S
S-S
CIA-S

Document No. 060NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

10 DEC 1948
861

50

~~TOP SECRET~~

EUROPE

1. **GERMANY:** East Berlin mayor may be deserting to West-- US Ambassador Murphy in Berlin has learned that Friedrich Ebert, the newly-elected mayor of the Soviet-approved east Berlin government, has informed the western powers that he wishes to abandon his post and flee from Berlin. S-TS

(CIA Comment: CIA considers it possible that this report may be a "plant" designed to embarrass the rump east Berlin government in its relations with the USSR. If carried out, Ebert's flight will: (a) provoke a vitriolic Soviet propaganda campaign in which the USSR will accuse the western powers of kidnapping; and (b) possibly prompt the USSR into initiating an extensive a terroristic campaign in the western sectors of Berlin as its limited capabilities will permit.)

2. **FRANCE:** Auriol expresses fears of Government downfall-- French President Auriol has confided to US Ambassador Caffery his fear that the Queuille Government may fail to procure Assembly approval of the projected budget and fiscal reform measures. Auriol declared that if the Government should consequently resign, he would not know whom to call upon to form a new government. Auriol said that only as a last resort would he call upon De Gaulle and expressed the opinion that De Gaulle would not in any event be able to secure the necessary vote of confidence from the Assembly at this time. CIA-S

(CIA Comment: CIA believes that although the Government faces a real danger of falling on the question of the fiscal proposals, President Auriol has expressed his fears to Ambassador Caffery in the hope of obtaining US support for these measures.)

Document No. 061- 1 - NO CHANGE in Class. DECLASSIFIEDClass. CHANGED TO: TS S 

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~TOP SECRET~~Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

8. **NETHERLANDS: Dutch plan Indonesian interim government--** 5-5
The Dutch Foreign Minister has informed US Embassy The Hague that the Netherlands Cabinet has decided: (a) to proceed immediately with measures to set up an interim federal government for the Netherlands East Indies, with provision for participation by the Indonesian Republic at some later date; and (b) to inform the Good Offices Committee of the Dutch Government's conclusions that further negotiations with the Republic offer no possibility of securing an agreement which would be acceptable to the Netherlands.

(CIA Comment: CIA believes that the announcement by the Dutch of an interim government without the Republic will precipitate a Republican appeal to the Security Council. If the SC fails to obtain further negotiations between the parties, the repercussions in Indonesia will probably lead to a renewal of Dutch "police action.")

FAR EAST

4. **CHINA: Battle for Central China nearing end--** WAR - S
S - TS
NAVY - S
The US Military Attache in Nanking believes that the battle for Central China is approaching its conclusion. The MA reports that over two-thirds of the encircled Nationalist Army group southwest of Hsuehou have been eliminated and the remainder will probably be wiped out in the next three days. The MA considers that the fall of these units will precipitate the elimination of the encircled Twelfth Army Group southwest of Suhsien. The MA adds that the Nationalists appear to be evacuating Panglou, their last line of defense north of the Yangtze, in order to avoid a Communist encirclement maneuver.

(CIA Comment: CIA believes that the battle for Central China is rapidly nearing its conclusion and that Communist occupation of Nanking may now be only a matter of weeks.)

- 2 -

~~TOP SECRET~~

~~TOP SECRET~~

US not to participate in Shanghai government turnover--

The Department of State has instructed US Consul General Shanghai not to participate in any joint consular action which would place the US or its representatives in the role of guarantor or mediator in the turnover of that city to a successor Chinese government. The Department adds, however, that the Consul General may take action based on humanitarian considerations as long as it is clearly understood that such actions do not involve political commitments on the part of the US.

Continued presence of US Navy at Tsingtao urged--

The Commander US Naval Forces Western Pacific believes that the planned withdrawal of the Chinese Navy from Tsingtao should, by removing a possible military objective for Communist attack, strengthen the security of US forces in Tsingtao. He points out that by remaining at Tsingtao the US Naval Forces can insure a minimum of disorder in a future turnover of authority at the port. He considers that the Navy's presence at Tsingtao indicates a determination to protect US lives and interests throughout China, gives reassurance to all foreigners in China, and provides a stabilizing influence on the Chinese situation by compelling the respect of both Chinese Communists and Nationalists. He warns that the withdrawal of the US Navy would precipitate violent disorders, loss of life, and widespread destruction of property in all the large communities in China.

- 3 -

~~TOP SECRET~~

~~TOP SECRET~~

NEAR EAST - AFRICA

1. TRANSJORDAN: US recognition urged--The US Representative at Amman concurs in the belief of UN Mediator Bunche that extension of de facto recognition by the US to Transjordan might have a desirable stabilizing effect on the work of the proposed UN conciliation commission and contribute to a final settlement of the Palestine problem. The US Representative considers that US recognition, by putting Transjordan on an equal footing with Israel and Egypt, would help to overcome the reluctance of Transjordan to extend current talks with the Israelis to the political level. US Ambassador Douglas in London transmits his belief that the British Foreign Office would welcome US recognition of Transjordan as a definite contribution to Middle East stability.

SS
SS

Document No. 063
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
DDA RCL 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

50

~~TOP SECRET~~

863

GENERAL

1. Security Council debate on Indonesian dispute expected--US Representative Cochran in Batavia points out that the Netherlands Government has closed the door to negotiations between the Indonesian Republic and the Netherlands by rejecting the premises of the recent US aide-memoire. Cochran believes that there is "no alternative" to immediate Security Council debate on the Indonesian question. He therefore recommends that the US withdraw from the Good Offices Committee and reiterate in the Security Council that the US favors the "draft agreement" officially accepted by the GOC as a basis for negotiation. (The Dutch reply to the US aide-memoire indicts the Republic for its failure to recognize the sovereignty of the Netherlands during the interim period prior to the establishment of a United States of Indonesia. The reply declares that unless the Republic recognizes Dutch sovereignty, the Netherlands Government will be obliged to make a "final decision" on the method of "implementing its pledges to the peoples of the Netherlands and Indonesia.")

S-S

THE AMERICAS

2. COSTA RICA: Agreement with Caribbean Legion reached--A CIA source reports that the Costa Rican Government and the Caribbean Legion have reached an agreement providing for the inclusion of Legion officers, men, and materiel in the Costa Rican army.

CIA-S

(CIA Comment: CIA believes that in order to obtain the support of the Caribbean Legion, President Figueres of Costa Rica has probably had to promise future support for the Legion in destroying the Somoza regime in Nicaragua. CIA estimates that the Legion will now also have greater Guatemalan assistance.)

Document No. 664

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

Auth: DDA Memo, 4 Apr 77

DDA REG. 77/1763

~~TOP SECRET~~

Date: 16 MAR 1978 By: 028

14 DEC 1948

50

~~TOP SECRET~~

864

GENERAL

1. Indonesian Republic's position on renewal of negotiations--US Representative Cochran in Batavia transmits a letter he has received from Prime Minister Hatta, which outlines in detail the present Republican position. Hatta's letter indicates that the Republic accepts without qualification the principles of the Renville Agreement and emphasizes that the Republic recognizes the Netherlands' sovereignty in Indonesia during the interim period. The letter specifies various concessions which the Republic is prepared to make and asks that the Netherlands voluntarily impose limitations, to be clearly defined in an agreement, on the exercise of its sovereign power. Cochran considers that this letter merits careful consideration and expresses the hope that the Netherlands Government will not only take cognizance of this reasonable approach but will agree to the renewal of negotiations and the postponement of the establishment of an interim government.

S-5

FAR EAST

2. CHINA: Possible retirement of Chiang Kai-shek--Nationalist Vice President Li Tsung-jen has told the US Naval Attache in Nanking that Chiang Kai-shek is considering the possibility of "stepping-down." According to the NA, Li suspects that Chiang may merely be attempting to forestall the development of a coup which would force him from power. Li reportedly plans to avoid being forced to accompany Chiang if the Generalissimo withdraws from Nanking without turning power over to Li.

NAVY-TS

Li also told the NA that on becoming head of the National Government he plans to: (a) cease military operations and open peace negotiations; (b) call a conference of people's representatives to draw up a "realistic platform"; (c) discharge corrupt officials; (d) request publicly that US economic and industrial aid be distributed equitably regardless of previous political and military affiliations; and (e) move the capital to Peiping.

Document No. 065- 1 NO CHANGE in Class. DECLASSIFIED~~TOP SECRET~~

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: _____ By: 028

~~TOP SECRET~~

(CIA Comment: CIA believes that decisive political developments, possibly involving the retirement or flight of Chiang Kai-shek, can now be expected at any time. A successor government under Vice President Li would find it difficult to carry out a program of its own; such a government's attempts to negotiate a settlement with the Communists would lead, sooner or later, to the establishment of a Communist-controlled coalition government for China.)

THE AMERICAS

- 3. **COSTA RICA: Possible counter-invasion of Nicaragua--US Ambassador Shaw in Managua has transmitted a detailed report which indicates that the recent invasion of Costa Rica has had both "moral and material assistance" from Dictator Somoza of Nicaragua.**

NAVY - 5

[redacted] been told by a high Costa Rican official that all forces in Costa Rica, including the Caribbean Legion, will combine to attempt a counter-invasion of Nicaragua if they are otherwise unable to dispel the revolutionary forces now invading Costa Rica.

3.3(h)(2)

(CIA Comment: Unless the present disturbances in Costa Rica are quickly suppressed, inter-governmental relationships in the area will rapidly deteriorate to the point where violence and bloodshed become generalized. In such an event, US lives and property, especially at points adjacent to airports, will be endangered.)

- 4. **GUATEMALA: Possible 18 December coup d'etat--**

CIA-5

[redacted] that the chief of the Guatemalan armed forces has approved a plan for an army coup during the week ending 18 December.

3.3(h)(2)

~~TOP SECRET~~

50

~~TOP SECRET~~

865

GENERAL

3-5

1. US-Dutch response to Indonesian Premier's letter --The Department of State has advised US Representative Cochran in Batavia that the 13 December letter from Republican Premier Hatta offers adequate and practical grounds for the resumption of negotiations, either within or outside the Good Offices Committee. The Department has authorized Cochran to telegraph the contents of the letter to the UN Security Council. US Embassy The Hague reports meanwhile that Netherlands Foreign Office officials consider the letter to be "a major concession" by the Republic.

Belgium supports US position on Indonesia --Premier Spaak has told US Embassy Brussels that he approves the US position on Indonesia and feels that the Dutch are being "obstinate" on this question. Spaak views the pressure of Dutch military leaders for military action in the area as "very dangerous," and fears that such action, unless it were immediately and sweepingly successful, would create a situation in Indonesia similar to that in Greece. Spaak proposes that a Washington meeting be held of top-level officials of the governments constituting the GOC (US, Belgium, and Australia). Spaak considers that such an "ad hoc GOC" meeting could produce results by summoning the Republican Premier and the Dutch Foreign Minister and making strong statements to both.

(CIA Comment: CIA considers that this endorsement of the Hatta letter by the US, combined with Belgian support of the US position, will probably persuade the Dutch to resume negotiations with the Republic, thereby postponing the possibility of Dutch "police action" and the necessity for Security Council action.)

Document No. 066NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763Date: 12 MAR 1978 By: 028~~TOP SECRET~~

6 DEC 1948

866

~~50~~
~~TOP SECRET~~

GENERAL

1. Dutch to reply to Indonesian Premier--Foreign Minister Stikker has informed US Charge Steere at The Hague that he has been able to win Dutch Cabinet agreement for the dispatch of a reply to the 13 December letter of Indonesian Premier Hatta. Stikker had previously told Steere that: (a) he had no confidence in the possibility of reaching any agreement acceptable to the majority of the Dutch people; (b) the situation in Indonesia is deteriorating steadily; (c) there is a real danger of the Dutch Cabinet falling on this issue; and (d) there is much sentiment in the Netherlands for a strong course of action in Indonesia. 5-5

US prefers to avoid Security Council debate on Indonesia--The Department of State had advised the US delegation at the UN in Paris that it much prefers the avoidance of Security Council discussion of the Indonesian question at this time.

FAR EAST

2. CHINA: Central China Nationalist forces thought defeated--US Embassy Nanking reports that the battle in the Pangfou-Hsuchou area is entering its final stage with an early Communist victory assured. The Embassy believes that the Communists possess the capability for crossing the Yangtze in force with little prior preparation and for occupying the Shanghai-Nanking area shortly thereafter. Although the US Military, Naval, and Air Attaches in Nanking concur in the view that Central China Nationalist forces have been defeated, they are of the opinion that a Communist crossing of the Yangtze River may be delayed for an indefinite period as a result of the depletion of Communist supplies. 5-5

The Embassy also reports that strong opposition to the National Government exists in South China and that the Government might even face armed opposition in attempting to move to Canton.

- 1 - Document No. 067NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

(CIA Comment: CIA concurs with the Service Attaches in believing that all effective Nationalist forces in the Hsuehou-Pangfou area have been successfully contained by the Communists. CIA considers it quite possible that the Communists have temporarily retarded operations, as a consequence of their severe losses, in order to regroup and resupply prior to pressing on Nanking.)

Chiang asks US advice on "stepping down" --US Ambassador Stuart has recently been asked by an emissary of Chiang Kai-shek for advice as to whether Chiang should withdraw from active control of the Government. Stuart replied that US nationals had gained the impression that the great mass of Chinese people desired the retirement of Chiang Kai-shek, whom they regard as the principal obstacle to peace. Stuart also told the emissary that what the people of China want and are willing to support is the dominant factor in the formation of US policy on China.

3-5

- 2 -

~~TOP SECRET~~

50

~~TOP SECRET~~

867

GENERAL

1. US delegates not to bargain with UN group on German currency-- 5-75
 The Department of State has advised US representatives in London and Paris of its view that the work being done on the Berlin currency situation by the Security Council's Experts Committee is most likely to be unfruitful. The Department therefore considers that the western experts dealing with the committee should "remain aloof" and not bargain, in order to avoid being led by constant pressure to make piecemeal concessions to the Soviet viewpoint without having foreknowledge of the Soviet counter-proposals. The Department believes that by refusing to negotiate with the Committee, the western bargaining position can be preserved and the western powers can "await with some confidence" a report from the committee, if one is made, which would steer a middle course between the opposed views of the western powers and the USSR. The Department declares that only after such a report has been analyzed in the light of political conditions then prevailing in Berlin can the western powers jointly determine whether the report constitutes a useful starting point for negotiations through the intermediation of a neutral group.
2. Yugoslavia and Italy to open negotiations -- The Italian Legation in Belgrade has informed US Ambassador Cannon that an Italian-Yugoslav agreement has been reached for the opening of negotiations in both Rome and Belgrade on currently outstanding differences. Such negotiations will reportedly deal with reparations, compensation for Italian property confiscated by the Yugoslavs, fishing rights, regulation of border traffic, and exchange of prisoners. Cannon comments that development of such discussions indicates a Yugoslav desire to clear the ground for more comprehensive negotiations with Italy. (1A-5)

Document No. 068NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

- 1 -

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

3. US requests clarification of Dutch intentions in Indonesia--The Department of State has informed Dutch representatives in Washington that if it is the intention of the Netherlands Government to continue negotiations with the Indonesian Republic, the Government should issue an authoritative explanation to that effect, to accompany the Dutch reply to Indonesian Premier Hatta's letter of 13 December. The Department considers that the Dutch letter of 16 December leaves little leeway for such negotiations. US Embassy The Hague reports that the Dutch Foreign Office has described the Dutch letter to Hatta as "truly the last possible move from the Netherlands side." The Dutch Foreign Minister has informed the Embassy that he can keep the situation within the Dutch Government "in hand" only until 18 December. The Embassy considers that the Dutch reply represents a demand for "immediate" Republican participation in the interim government; the Embassy indicates that the Dutch intend to go ahead in any case and do not envisage a resumption of negotiations through the Good Offices Committee.

5-5

(CIA Comment: CIA considers that: (a) a negotiated settlement is no longer possible in view of the apparent inability of the opposing sides to compromise their differences; (b) the Dutch remain firmly determined to establish the interim government either with or without the Republic; and (c) Dutch police action in the next few weeks is a distinct possibility.)

FAR EAST

4. CHINA: Mutiny among Nationalist North China forces--The Assistant US Naval Attache in Peiping has been told by Fu Tso-yl, Nationalist Commander in North China, that at least three of his Nationalist armies and part of the Chinese Air Force have refused to obey his orders and that local garrison troops are acting independently. Fu also declared that unless these troops are ordered by Chiang Kai-shek to obey Fu, Peiping will fall. The Assistant NA further reports that Fu's effective forces now total only one division and that the bulk of his remaining forces have been cut off between Kalgan and Peiping.

NAVY

- 2 -

~~TOP SECRET~~

5U

~~TOP SECRET~~

868

18 DEC 1948

FAR EAST

ARMY-TS

- 1. **CHINA: Cessation of US aid north of Yangtze urged**--The Chief of the Joint US Military Advisory Group (JUSMAG) at Nanking recommends that the US immediately stop all military and economic aid from entering China at any point north of the Yangtze River, except for supplies going to Tsingtao for the exclusive use of personnel there. The JUSMAG Chief considers that the military situation in East Central China is hopeless and believes that the Government faces complete military defeat as a consequence of losing its forces now operating in this area. He is convinced that Fu Tso-yi, the North China Nationalist leader, has made a deal with the Communists.

Document No. _____
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA Form 77/1733
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

20 DEC 1948

~~TOP SECRET~~

869

GENERAL

1. US views on Security Council action on Indonesia--The Department of State has advised the US representative to the Security Council in Paris not to "assume a position of outstanding and solitary leadership" in the Indonesian case, but to act in association with as many SC members as possible. The Department considers that the Security Council's first objective should be to call upon the parties in the dispute to desist from further hostilities.

S-5

(CIA Comment: CIA believes that the USSR may be preparing to take the initiative in the Indonesian case when the SC reconvenes on 22 December.)

Dutch to persist in police action--US Embassy The Hague expresses its belief that the Dutch intend to carry through with their military operations in Indonesia regardless of action by the UN Security Council. The Embassy notes that the Dutch public regrets that police action was halted in 1947 and will now insist that the Government carry this new action to a successful completion even in the face of international condemnation.

CIA - 5

FAR EAST

2. CHINA: US Embassy views on cessation of munitions shipments--US Embassy Nanking expresses its belief that the stoppage of US munitions shipments to the National Government at this time would inevitably be interpreted as confirmation of the already growing belief that the US is "through with" Chiang Kai-shek and favors a coalition with the Communists. The Embassy states that cessation of munitions shipments would certainly discourage forces, both in and out of the Government, who wish to continue resistance and would inevitably doom their efforts to failure. If US policy continues to involve support of

S-75

Document No. 076NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

~~TOP SECRET~~ DDA L. 77/1763Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

these anti-Communist elements, the Embassy recommends that future munitions shipments be diverted to Canton rather than Taiwan, because: (a) when Chiang Kai-shek is forced to flee Nanking his headquarters will probably fall back first to Nanchang, then to Canton, and only at a much later date to Taiwan; and (b) military shipments to Taiwan would at this stage increase the known concern of the native Taiwanese over the influx of National Government organizations to Taiwan.

Li Tsung-jen's leadership prospects questioned--US 5-5
Embassy Nanking has been informed that Vice President Li Tsung-jen has been negotiating with Communists in Shanghai and Hong Kong in an effort to secure Communist recognition of the present Government under his leadership, when and if Chiang Kai-shek leaves office. According to the Embassy, Li also approached Soviet officials in Nanking who expressed the opinion that the Chinese Communists would not recognize a continuation of the present Government, but perhaps would recognize a "temporary provisional government" under Li's leadership. The Embassy questions Li's ability to head a new government, however, because Li: (a) is confused as to the most suitable course of action; (b) appears to lack the courage to ask Chiang Kai-shek to retire as long as Chiang controls the local garrison and secret police; and (c) is not included in consultations among other Government leaders over the question of Chiang's succession.

- 2 -

~~TOP SECRET~~

21 DEC 1948

~~TOP SECRET~~

870

GENERAL

1. Reaction to Dutch moves in Indonesia --US Embassies London and Canberra report that representatives of the Foreign Offices in both countries have indicated their strong displeasure with the Dutch action in Indonesia. The UK Foreign Office, however, has indicated that it would be most reluctant to invoke sanctions under the UN Charter because of: (a) apparent Dutch determination to carry on "police action" despite the threat of sanctions; and (b) fear for the effects on relations within the western European union. US Embassy New Delhi, meanwhile, has been reliably informed that the Indian Government is so indignant over the Indonesian situation that it may break off relations with the Netherlands and deny the Dutch the use of Indian ports and airfields.

2. US proposes resumption of Austrian treaty talks --The Department of State is transmitting, subject to British and French agreement, a note to the Secretary General of the Council of Foreign Ministers concerning possible Austrian treaty negotiations. The note proposes that the US, British, French, and Soviet deputies meet in London about 7 February 1949 to discuss the basis for the reopening of such negotiations and the early conclusion of a treaty reestablishing Austrian independence.

FAR EAST

3. CHINA: Continuation of US aid for South China urged --The Chief of the Joint US Military Advisory Group (JUSMAG) at Nanking estimates that the Nationalist army will be defeated in the immediate future and that the National Government will either be forced to leave Nanking or be overthrown within the next few weeks. The JUSMAG Chief believes that the

Document No. 071NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

Auth: ~~TOP SECRET~~ DDA REC: 4 Apr 77
DDA REC: 77/1763Date: 6 MAR 1978 By: 028

~~TOP SECRET~~

Communist armies will not stop at the Yangtze after defeating the Nationalist armies in Central and North China but will continue south, destroy all remnants of the Nationalist forces in South China, and establish a Communist-dominated government over all China, possibly excepting Taiwan. The JUSMAG Chief considers that further military and economic aid will have little effect on the National Government's position either now or in the future. He recommends, however, that as long as the present National Government continues, US aid should not be withdrawn abruptly but should be continued in South China and Taiwan. He believes that the abrupt curtailment of US aid would be widely condemned and would be a blow to US prestige.

- 2 -

~~TOP SECRET~~

~~SECRET~~

Copy No. 50

**CENTRAL INTELLIGENCE AGENCY
Special Evaluation No. 98**

Document No. 072

NO CHANGE in Class.

DECLASSIFIED

class. CHANGED TO: TS S C

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

Date: 16 MAR 1978 By: 028

~~SECRET~~

~~SECRET~~

22 December 1948

DUTCH MILITARY ACTION IN INDONESIA

Dutch military action was instituted in Indonesia on 18 December, one half-hour after a Netherlands Government representative in Indonesia had informed the Chairman of the UN Good Offices Committee (GOC) of his Government's intention to terminate the Renville truce agreement with the Republic. Dutch forces are now establishing military control over Republican areas in Sumatra and Java. Members of the GOC in Batavia (US Representative Cochran and the deputy Australian representative) immediately forwarded a report which asked for prompt Security Council action. They charged that the Netherlands Government had not fulfilled its obligations under the Renville agreement because it had failed to inform all members of the GOC of the contemplated action and, by cutting telegraphic communications, had made it impossible to inform the Republic. The Security Council is scheduled to hear the case on 22 December.

Dutch Motives The Netherlands Government has described its military action as a move to reestablish peace and security in all Indonesia and to eliminate terrorist and irresponsible elements. Actually, the Dutch are motivated largely by the conviction that an interim Indonesian government under firm Dutch control must be established as soon as possible. They do not really believe that the Communist movement in Indonesia represents a threat of such magnitude as to require action on the present scale. However, in order to establish an Indonesian government under Dutch control, the Dutch must forcibly eliminate the Republic as a de facto government in view of: (a) the apparent impossibility of settling Dutch-Republican differences on Dutch terms; (b) the Dutch fear that the Netherlands Government could not maintain control over an interim government in which the Republic was

- 1 -

~~SECRET~~

~~SECRET~~

represented; and (c) the difficulty of establishing such an interim government without Republic representation. Moreover, the Netherlands Government believes that maximum economic benefits can only be realized by restoring Dutch control over Republican-held areas.

Guerrilla Warfare The Dutch have already captured the Republic capital and practically all Republican leaders. Despite this success and the apparent lack of effective Republican resistance, US security interests have been seriously threatened by the Dutch "police action." The removal from power of the pro-US moderates in the Republic has paved the way for the rise of a resistance movement led by militant Communists and by extremist elements formerly held in restraint by the Republican regime. In the initial stages, the Dutch can be expected to have considerable success in maintaining law and order throughout the Republic. The nationalist aspirations of the Indonesians, however, will continue to conflict with the Dutch desire to retain a maximum amount of control. Guerrilla warfare and sabotage will increase and compel the Dutch to continue the commitment of substantial military forces in Indonesia. These commitments will delay full Dutch contribution to a western European defense system and will constitute a continuing drain on the finances of the Netherlands Government.

Soviet Reaction The present situation in Indonesia will be exploited in the Security Council by the USSR, which will champion the aspirations of colonial peoples and accuse the US of complicity in the Dutch action. Further, the USSR can be expected to capitalize, throughout the Far East, on the decline of US prestige which will follow the collapse of GOC mediation efforts in which the US has had a leading role.

- 2 -

~~SECRET~~

22 DEC 1948

~~TOP SECRET~~

871

GENERAL

- 1. Need for continuing US interest in Greece stressed--US Charge Rankin in Athens expresses the belief that any official and public manifestation of diminished US interest in Greece during the next few critical months might prove fatal to the Greek will to resist Communism. Rankin points out that the Greeks, almost alone of the peoples united with the US in resisting Communist expansion, are confronted with open warfare which is instigated and continued at Soviet behest. Rankin considers that the success of this technique in Greece would encourage the Communists to employ it elsewhere. He concludes that it would be extremely dangerous to make insufficient allowance for Greek morale factors when foreign aid appropriations are discussed again in the US Congress.

S - TS

Document No. 073
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DEB LTR. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

50

~~TOP SECRET~~

872

EUROPE

1. **YUGOSLAVIA: Opposition to separatist movement urged--**
 US Ambassador Cannon expresses his serious concern over reports of a movement within Yugoslavia for setting up an independent Croatia. Cannon urges the "extreme importance" of dissuading the members of a "separatist" group from proceeding with present attempts to disintegrate the Yugoslav state. Cannon considers that grave harm would be done to Marshal Tito's ability to maintain his present stand with the USSR if it were to appear to the Yugoslav people that the US was backing a "separatist plan" for Yugoslavia, however indirectly. He therefore recommends that the US be prepared to disavow publicly any support for such a movement.

S-S

Document No. 074
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA REG. 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. US not to support British Palestine resolution--The Department of State has instructed US Representative Jessup at the UN not to support a draft resolution which the UK intends to introduce if the UN Palestine Mediator confirms reports of recent fighting in the Negeb. (The UN Mediator has subsequently charged Israel with breaking the UN truce by attacking Egyptian forces in the Negeb.) The proposed British resolution would: (a) reaffirm the 4 November and 16 November Security Council resolutions (which call on Israel and Egypt to withdraw from the Negeb and undertake negotiations of all outstanding issues); (b) ask the SC to consider possible action under Chapter 7 of the UN Charter (presumably sanctions against Israel); and (c) fix a time limit within which Israel and Egypt must comply with the SC resolutions of 4 November and 16 November. The Department considers that US support for the resolution would gravely jeopardize the position of the US on the recently formed Palestine Conciliation Commission, especially since the Israeli Government does not regard the other two members (France and Turkey) as friendly to Israel.

2. Dutch aide memoire on Indonesia--The Department of State has informed US representatives at the UN of the receipt on 26 December of a Dutch aide memoire concerning the Indonesian situation. The aide memoire declares that although the Netherlands Government still rejects the UN claim to jurisdiction over the Indonesian case, the Government: (a) is giving serious consideration to the 24 December Security Council cease-fire resolution; (b) will provide UN military experts as much opportunity for observation as is possible; and (c) will establish in the shortest possible time an interim Indonesian government in which the presently detained Indonesian leaders will be free to participate.

5-5 (3)

The Department had previously advised the US representatives to support the Dutch request for an advisory opinion from the International Court of Justice on the question of the Security Council's competence to handle the Indonesian case, provided that UN action will not thereby be delayed.

DECLASSIFIED

Class. CHANGED TO: TS S C

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

16 MAR 1978

By: 28

~~TOP SECRET~~

28 DEC 1948

50

~~TOP SECRET~~

874

FAR EAST

1. **CHINA: Peaceful turnover in Tsingtao expected**--Acting US Consul General Strong expresses the view that if US Marine units now in Tsingtao are not withdrawn until the majority of the Chinese Nationalist troops leave, the turnover to Communist authorities will be peaceful and there will be no need for the Marine detachment to remain ashore. Strong considers that because the bulk of the Tsingtao population realizes that the Communists will punish looters or saboteurs, the people will therefore remain quiet. Strong suggests that if a "significant number" of Nationalist troops remain, it will be desirable to retain a small group of "carefully selected and indoctrinated Marines."

S-TS

Document No. _____

NO CHANGE in Class. DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DEA REG. 77/1783Date: 1-6 MAR 1979 By: 028~~TOP SECRET~~

29 DEC 1948

50
~~TOP SECRET~~

875

GENERAL

1. **UK urges pressure on Greece to end political jockeying--US Embassy London has learned that the British Foreign Office intends to recommend to the Department of State that joint US-UK representations be made to the Greek King and Prime Minister in order to impress upon the Greek leaders that the situation must be taken in hand and that internal political maneuvering is a luxury Greece cannot afford. The Embassy was also told that Foreign Secretary Bevin is "acid" on the subject of Greece, particularly concerning the "dollars being sunk there which could be used elsewhere."**

S-TS

FAR EAST

2. **CHINA: Chiang Kai-shek preparing resignation statement-- US Embassy Nanking transmits a report that Chiang Kai-shek on 26 December expressed his intent to retire in favor of Vice President Li Tsung-jen and will issue a proclamation to this effect "as soon as possible." According to the Embassy, which gives credence to this report, Li then will make an open proposal to the Chinese Communists for a cease-fire order and a resumption of peace talks. If the Communists reject this peace proposal, Li reportedly plans to make an appeal to the US, the UK, France, and the USSR for mediation. The Embassy believes that: (a) such a proclamation will have a disastrous effect on whatever fighting spirit may still exist in the Nationalist armies; (b) the Communists will reject Li's peace proposal; and (c) without Chiang, the National Government will be incapable of regrouping its forces in order to continue resistance after having made an open peace move.**

S-S
S-S

(CIA Comment: CIA agrees that a government under Li would be even less effective than the present Government in offering military resistance to the Communists. CIA

Document No. 077- 1 - NO CHANGE in Class. DECLASSIFIED

Class. CHANGE TO: TS S C

~~TOP SECRET~~

DDA Memo, 4 Apr 77

Auth: DDA REC 77/1763

Date: 16 MAR 1978By: 028

~~TOP SECRET~~

believes that the Communists may refuse to negotiate at all and will certainly not accede to any terms other than those which would give them effective control of a government for all China.)

Fall of Tientsin considered imminent--The Chief of the Joint US Military Advisory Group (JUSMAG) in Nanking believes that the North China cities of Tientsin and Taku will fall to the Communists within a few days. The JUSMAG Chief considers, however, that the Communists will not attack Peiping but will contain Nationalist forces there until General Fu Tso-yl is forced to surrender or to reach an agreement with the Communists. The JUSMAG Chief reports that all effective Nationalist resistance north of Pangfou has been eliminated and that most Nationalist forces in the Pangfou area have been withdrawn south of the Yangtze; he considers a Communist drive to the Yangtze to be imminent.

ARMY-TJ

- 2 -

~~TOP SECRET~~

30 DEC 1948

876

50

~~TOP SECRET~~

GENERAL

1. British estimate of Dutch intentions in Indonesia--According to US Embassy London, the UK Foreign Office estimates that the Dutch Government probably will: (a) issue a cease-fire order in Indonesia but will reserve the right to combat guerrilla or terrorist groups; and (b) announce the liquidation of the Republic of Indonesia. The Foreign Office considers that the Dutch will have great difficulty in setting up an interim government because key non-Republican governments are reluctant to participate and Republican leaders will probably refuse to cooperate, even if released.

S-S

(CIA Comment: CIA concurs in this estimate of Dutch intentions and probable difficulties.)

NEAR EAST-AFRICA

2. PALESTINE: Transjordan fearful of Israeli attack--US Representative Stabler in Amman has learned that at a recent meeting between Israeli and Transjordan representatives, the Israelis asserted that Israel is no longer interested in maintaining the armistice between the two countries and insisted on immediate peace talks. According to Stabler, King Abdullah feels that the Israelis are prepared to resume hostilities to achieve their ends and will attack the Arab Legion or the Iraqi Army, or both, unless Transjordan agrees immediately to peace negotiations.

CIA-S
CIA-S

(CIA Comment: CIA believes that Israel is fully prepared to continue military operations and at most will be only temporarily restrained by the Security Council's cease-fire resolution of 29 December.)

Document No. 078

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1783

Date: 16 MAR 1978

By: 028

~~TOP SECRET~~

31 DEC 1948

50

877

~~TOP SECRET~~

GENERAL

1. US issues warning to Israeli Government--By direction of President Truman, the Department of State has instructed US Representative McDonald in Tel Aviv to inform the PGI (Provisional Government of Israel) that the US is "most deeply disturbed" by apparently authentic reports that Israeli forces have invaded Egyptian territory in "a deliberately planned military operation." McDonald is to call the attention of the PGI to the grave possibility that by ill-advised action Israel may: (a) jeopardize peace in the Middle East; (b) cause reconsideration of Israel's application for UN membership; and (c) make it necessary for the US to reconsider its relations with Israel. The Department instructs McDonald also to inform the PGI that if reports of its threatening attitude toward Transjordan should be confirmed, the US would again have no course but to undertake a substantial review of its attitude toward Israel.

S - TS
S - S

Israeli invasion now confirmed--US Embassy London has learned from the UK Foreign Office that reconnaissance of the El Arish area by the RAF indicates the presence of Israeli forces about 20 miles inside Egypt. According to the Embassy, the Foreign Office considers this evidence to be conclusive confirmation of Israel's armed incursion into Egyptian territory.

Document No. 079
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 DDA REG 77/1763
 Date: 16 MAR 1978 By: 028

~~TOP SECRET~~