

15 AUG 1948

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GENERAL

1. Icelandic Prime Minister suggests solution of base problem--US Legation Reykjavik reports that Icelandic Prime Minister Thors has made his first substantial suggestion for a solution of the air base negotiations. According to the proposed plan, the US would request (a) termination of the 1941 agreement, and (b) continued military rights at Meeks field, and would offer to cooperate with Iceland in developing a modern airport at Keflavik. Thors appears to think that the plan would have a good chance of acceptance by the Althing, despite Communist opposition.
2. US misgivings on Soviet-Swedish trade negotiations--The State Department has instructed US Embassy Moscow to inform the Soviet Government of US misgivings regarding the proposed Soviet-Swedish trade agreement. The US feels that such an agreement, which might last for five years or more, would tend to freeze trade into a bilateral pattern, and deny to the parties the benefits of multilateral trade.
3. Strength of British troops sent to Basra--US Military Attache London has been advised by the British War Office that British troops recently moved to Basra number about 6,000 and include the 19th Independent Indian Infantry Brigade, one Field Artillery Regiment, and approximately 3,000 HQ and service troops. No armored troops were involved.
4. US asks USSR join in urging free Polish vote--The State Department has drafted a note for transmission to the Polish Government setting forth conditions regarded by the US as necessary for the carrying out of free elections. The Department's note is to be transmitted to Poland after a copy has been delivered to the Soviet Foreign Office together with a US request for similar Soviet action under the Yalta and Potsdam agreements.

EUROPE-AFRICA

5. GERMANY: Return of German PW's from USSR--US Political Advisor Murphy reports that the USSR is releasing 120,000 German PW's before the October elections in Berlin and the Soviet Zone. The Soviet-controlled press has published names and photographs of returning PW's, together with glowing accounts of their treatment in the USSR.

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Stimulation of exports to US--General Clay reports that a concerted and aggressive drive should now be inaugurated to develop exports from the US and British Zones. He believes that recent German initiative in arranging "export expositions" should be encouraged by prompt visits of purchasing agents representing leading US importers.

6. **BULGARIA:** Attempt to subvert employee of US Mission--US Charge Sofia reports that the Bulgarian militia has attempted, apparently without success, to coerce a Bulgarian employee of the US Mission into furnishing confidential documents and information on the Mission's activities. The Charge anticipates that similar coercion will be exerted on other Bulgarian employees.
7. **IRAN:** Qavam hopes to visit US soon--Qavam has again told US Ambassador Allen that he believes he can arrange to visit the US, probably in time for the UN Assembly meeting in September. Qavam expects to know "within a couple of weeks" whether a real fight over Azerbaijan is in prospect. He considers that elections could not be held until "Azerbaijan is again a part of Iran." He admitted that his authority at present extends only about 15 miles beyond Kazvin (about 95 miles northwest of Tehran) and that "Tabriz is little more under control of Tehran than Odessa."
8. **SOUTH AFRICA:** Smuts blames strike on Communists--Prime Minister Smuts has informed US Minister Holcomb that the current gold miners' strike is "definitely Communist-inspired." (Some 50,000 native miners, out of a work force of approximately 300,000, struck on 12 August for higher pay, improved living conditions and elimination of a proposed decrease in rations.) According to Holcomb, the Government refuses to recognize the union and is prepared to use force to put down the strike.

THE AMERICAS

9. **BOLIVIA:** Changes in Junta imminent--US Ambassador Flack has been reliably informed that Bolivia's Junta will probably soon be increased from six to nine members with "basic changes in personnel."
Brazil doubts reliability of new regime--The Brazilian Foreign Office has expressed regret to Ambassador Pawley that the US did not delay recognition of Bolivia's new Government since there was "information" that the revolution may have been inspired by Communist elements.

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