

APPROVED FOR RELEASE - Historical Programs Staff 30 August 2018



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GENERAL

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1. State Department opposes loans to Czechoslovakia--Secretary Byrnes has asked Clayton to advise the Czech Government that, since no agreement has been reached on compensation for US property nationalized in Czechoslovakia, the Exim Bank is being requested to discontinue negotiations for the proposed \$50,000,000 reconstruction loan to Czechoslovakia. Secretary Byrnes also opposes a \$2,000,000 credit to Czechoslovakia for commercial airline development unless such a loan will help US companies to establish regular airline service to Praha.
2. French Navy welcomes Mediterranean visits of US Naval units--Caffery reports that the French Navy is "delighted" to have US Naval units in the Mediterranean but would like to have informal advance notice so as to be able to "brush off" Communist "squawks."
3. Faroes to propose "gradual" emancipation from Danes--The UK Foreign Office has told US Embassy London that according to the UK Consul in the Faroes the "island authorities" will propose to the Danish Government that the Faroes "progressively achieve independence" by assuming immediately such functions as they can presently exercise.

EUROPE

4. ICELAND: Anti-US demonstrations feared--US Minister Dreyfus reports that on 23 September the Reykjavik Chief of Police was taking measures to control possible anti-US demonstrations. Dreyfus added that all indications confirm the "potential dangers" and that there are only about 75 police in the entire country, as against over 8,000 members of Communist-dominated unions in Reykjavik alone.

Anti-Communist bloc considered--Dreyfus also reported on 23 September that the Conservatives, Social Democrats and Progressives were secretly conferring on the possibility of an anti-Communist bloc. The Progressives are expected to demand amendments to the present base proposals in return for their support. Prime Minister Thors, however, has stated to US negotiators that only amendments agreeable to the US would receive his approval. Dreyfus believes that the creation of an anti-Communist group at the price of minor concessions will be more important to the US than "forced" Althing acceptance of the proposals by a narrow margin.

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Thors disturbed at report of Clayton's statement--Dreyfus further reports that Thors sent for the US negotiators late on 24 September to discuss the radio report that Acting Secretary Clayton had stated that US troops would be withdrawn from Iceland irrespective of Althing action. Thors asserted that in view of this report the Opposition would argue that there is no need for the Althing to accept the US base proposals, and that he might be forced to resign or to accept the Communist proposal for a referendum. Dreyfus believes a formula should be found to "save face" for Thors, who has placed his "political and personal life in jeopardy" because of his support of the US proposals.

5. RUMANIA: Charge that elections being stolen now--Acting US Political Representative Melbourne reports that the Government's election preparations disregard both the rights of the Opposition and western opinion, and that the "elections are being stolen now." Melbourne states that the chief Soviet Censor has asserted that the USSR would help the present regime by "absolutely all means to emerge victorious in the coming elections."
6. FRANCE: MRP expects to succeed in changing draft constitution--Francisque Gay, MRP leader and vice-president of France, has told Caffery he believes that both Communists and Socialists, in order to prevent rejection of the Constitution, will agree to MRP proposals to change the draft so as to provide for (a) election of the president by secret ballot and (b) strengthening of the second chamber.

NEAR EAST-AFRICA

7. IRAN: Shah against taking strong measures in South--The Shah has told US Ambassador Allen that strong measures cannot be taken in southern Iran without a similar stand against Azerbaijan and that Qavam must either follow a policy of unity of the whole country or see Iran disintegrate. Allen comments that the Shah "did not seem greatly displeased" over developments in southern Iran as they may give him an opportunity to dispense with Qavam.

US Military Attache Tehran reports that high Iranian military authorities think the Iranian Army will do its utmost to quell the revolt. Neutral opinion doubts that the Army will succeed.

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8. **TURKEY: Civilians apprehensive on northeast frontier**--According to US Military Attache Ankara, Turkish Third Army withdrawal from the northeast frontier, which is probably part of the planned large-scale maneuvers (see Daily Summary of 20 September, item 11), is causing the civilian population to evacuate border towns. The evacuation also has been attributed in part to activities of Soviet agents.

US Naval Attache Ankara reports that the Turkish Navy has issued orders for the laying of a boom at Kavak on the Bosphorus to be completed in three weeks. Much feverish activity is apparent in defense preparations in and around the Black Sea entrance.

FAR EAST

9. **CHINA: New Nationalist campaign in Manchuria believed unlikely**--The Commanding General First Marine Division reports that it now appears there will be no further large-scale military operations in Manchuria this year, and that possibly one or two Nationalist armies will be withdrawn.

Exim Bank declines to consider Chinese credit requests--The State Department has informed General Marshall that the Exim Bank recently refused to consider China's applications for railroad-construction credits in view of "present conditions in China."

10. **FRENCH INDOCHINA: Military concentrations reported near border**--US Military and Naval Attaches at Bangkok report that both French and Siamese forces are being concentrated in the Indochina-Siam border areas. Both Attaches, however, doubt the probability of an imminent attack.

THE AMERICAS

11. **PANAMA: US views on termination clause of base agreement**--The State Department has instructed US Embassy Panama to inform the Panamanian Foreign Office in writing that the instrument signed aboard the USS Missouri on 2 September 1945 was not a definitive treaty of peace and that continued US occupation of bases in Panama does not in our view violate the Defense Sites Agreement.

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12. **EL SALVADOR: State of siege declared--US Ambassador Simmons reports that the President of Salvador has declared a state of siege as a result of a general strike movement that yesterday extended to the country's railways and threatened to become nation-wide. The weakness of the Castaneda Government, he adds, is increasingly apparent.**
13. **ARGENTINA: Messersmith comments on wheat problems--Messersmith, in view of Argentina's inadequate wheat surplus, urges that the US undertake (a) joint action with Argentina to meet the pressing immediate wheat requirements of Brazil, Uruguay, Bolivia and Peru, and (b) prompt but unpublicized wheat shipments to Brazil. Announcement by the US of intention to meet minimum requirements of Argentina's neighbors would, he believes, accomplish nothing.**

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