



1 OCT 1946

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GENERAL

1. C-47s to resume Vienna-Udine flights--Acheson has informed Secretary Byrnes that the War Department has authorized the resumption of flights by C-47s on the Vienna-Udine route provided every precaution is taken to avoid Yugoslav territory. The State Department had urged the War Department to continue using B-17s on the route pending a satisfactory agreement with the Yugoslavs on signals.

EUROPE

2. POLAND: Stalin's views on election--US Ambassador Lane has been informed by a "very reliable source" that Stalin last month told a Polish Communist and Socialist delegation in Moscow that (a) maintenance of order in Poland is more important than the US and UK attitude on the elections; (b) the Western Powers will forget the elections by next summer even if they are fraudulent; and (c) the Government parties must offer Mikolajczyk's Peasant Party 25 percent representation in their electoral bloc (a proposal later refused by Mikolajczyk).
3. RUMANIA: Election may be postponed--According to US Delegation ACC Bucharest, the Groza Government is split over whether or not to postpone the elections scheduled for this month. Foreign Minister Tatarescu recommends postponement until after the Peace Treaty is signed, while the Communist Ministers favor immediate elections, fearing the effect on the electorate of a winter food shortage resulting from the drought.
4. AUSTRIA: Soviet aims--US Charge Denby reports that the USSR is determined to act as the successor to Germany in exploiting the Austrian economy. Denby therefore believes that the "only recourse," in dealing with the problem of German assets in Austria, is for the Western Powers to publicize an agreed formula for defining these assets in western Austria.

Soviet reaction to US aid--US Charge Denby reports that the Austrian Communist press has taken the line that US assistance, if confined to the three western zones, would result in the partitioning of Austria. Denby believes that partition would be "quite acceptable" to the Soviets if they could put the blame on the western powers and could themselves have undisputed control of Vienna.

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5. GREECE: US Embassy's comments on border incidents--MacVeagh reports that Greek policy since the liberation has consistently been to avoid conflict with Northern neighbors despite the expansionist agitation of the extreme Right. He notes that, although evidence of official complicity by Soviet puppets may still be considered inconclusive, the presence of overwhelming forces facing the Greek frontier and widespread activity of Yugoslav National Liberation Front agents in Greek Macedonia are established facts. Incidents as reported by Greek, UK, and US sources almost uniformly appear to be provocations from across the border. The Embassy believes that a UK withdrawal from Greece would be the signal for the "persecuted Democrats" of Macedonia to invite intercession from their Yugoslav and Bulgarian brethren. MacVeagh recommends full publicity for any evidence of preparations for such a step and insistence upon an impartial investigation and complete revelation of the facts.
6. ICELAND: Vote on base proposals delayed--US Legation Reykjavik believes that the Althing's decision to extend its present session to 10 October is preferable to a national referendum on the US base proposals. The Legation adds that a 28 September editorial in a Progressive newspaper indicates that the Progressives are seeking a face-saving formula to facilitate their cooperation with the US.

FAR EAST

7. CHINA: Marshall favors railroad credits--General Marshall believes that rehabilitation of the Hankow-Canton railroad and construction of the Yellow River bridge (see Daily Summary of 25 September, item 4) represent an urgent economic need. He believes that these projects should not be confused with the present general restrictions on aid to China and favors US credit for them.

Embassy opposes linking airfield rights to gift of ships--Embassy Nanking, with General Marshall's approval, advises against a proposal to use the transfer of American ships to China as a means of obtaining rights to Shanghai and Tsingtao airfields, since it would "lay the US open to serious charges of buying bases on Chinese soil."

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Generalissimo assists in rescue of captive US airmen--Commanding General Air Division Nanking reports that the Chinese Army Commander at Hsichang in Sikang Province is hampering rescue of American airmen held in captivity by Lolo tribesmen and the Generalissimo has written a personal order directing full assistance be given the rescue team, which flies from Shanghai on 1 October.

8. KOREA: Border incidents--General Hodge reports that the Soviet Chief of Staff in North Korea has protested against recent attempts of US officers to consult with Soviet officers on the spot concerning boundary demarcation. Hodge adds that encroachments south of the 38th parallel have become more frequent during September. They are apparently timed with the rice harvest and aimed at stealing South Korean produce for North Korean consumption. If these border violations are all referred to the high command, action will be delayed with consequent loss of face to the US.

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