

31 OCT 1947

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

Premier Spaak of Belgium has made a request for an immediate diversion of US wheat shipments because the Belgian bread grain supply will be exhausted by 23 November (see item 4).

GREECE

No significant new development.

CHINA

No significant new development.

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GENERAL

1. UK position on Italian warships--Bevin has told US Ambassador Douglas that he is anxious to be helpful regarding the return of Italian warships assigned to the UK. Bevin also said that he is considering the return of the Italian battleship now held by the UK if he receives assurances that it will be promptly scrapped. According to Bevin, the UK Admiralty is apprehensive lest the Communists gain power in Italy and France, because such a development would make available to a potentially hostile power a number of warships sufficient to render the UK position in the Mediterranean exceedingly vulnerable.
2. Palestine issue impairs US-UK relations--US Ambassador Douglas in London, in transmitting a UK aide memoire relating to ships which are suspected of preparing for passage to Palestine with illicit immigrants, states his belief that this aide memoire is further evidence of the deep concern of the UK Government with the "explosive situation" in Palestine. Douglas adds that: (a) "it is clear that Palestine is a factor which disturbs US-UK understanding and cooperation"; and (b) the fact that US citizens finance the "illegal" refugee traffic to Palestine appears uppermost in the minds of British officials.
3. Yugoslavia plans aggressive program for Latin America--US Ambassador Cannon in Belgrade, after conversations with a Yugoslav Foreign Office official, reports that Yugoslavia evidently plans an active and aggressive program for Latin America. Cannon warns that the activities of Yugoslav agents in that area will deserve as close attention as that paid to Soviet agents.

EUROPE

4. BELGIUM: Bread shortage imminent--US Ambassador Kirk forwards an urgent request from Premier Spaak for immediate US aid in maintaining the Belgian bread ration because Belgium will

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have exhausted its bread grain supply by 23 November. Kirk endorses Spaak's request that three wheat boats be diverted from Germany to Belgium if any are now en route. According to Kirk, Belgian efforts to obtain bread elsewhere have failed and the US is the last resort. If the grain supply fails, Spaak fears the political repercussions on his Government and possibly grave consequences from Communist agitation.

6. YUGOSLAVIA: US Senator and Congressman refused visas--US Ambassador Cannon states that the refusal at the Yugoslav Foreign Office to issue visas to Senator Knowland and Congressman Rooney climaxes a period of "discourteous and surly negotiations with few parallels between nations assumed to have normal diplomatic relations."

NEAR EAST-AFRICA

6. IRAN: Allen believes Iran entitled to US aid--Prime Minister Qavam has informed US Ambassador Allen that Iran, by categorically rejecting the Soviet oil proposal, has now definitely aligned itself with the democratic powers against the totalitarian bloc and has placed itself in the same category as Greece and Turkey. Qavam added that Iran is "conspicuously open to Soviet aggression," and there is no longer any reason for the US to hesitate to aid in strengthening Iran's defenses or for Iran to hesitate to receive such aid. Allen recommends that the US agree to accept Iranian currency instead of dollars in payment for the \$25 million worth of military supplies which Iran is seeking from the US.

British comments on "mild" Soviet reaction to oil rejection-- According to US Embassy London, the British Foreign Office believes that the USSR has reacted rather mildly so far to Iran's rejection of the Soviet oil proposal because of: (a) Soviet unreadiness to make a "bold move"; (b) the realization of Soviet military leaders that

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no other power will secure an oil concession close to the Soviet border; and (c) the "interest of the US in Iran's sovereignty and independence." (Soviet propaganda in Iran has already taken the line that the action by the Majlis, which prevents other powers from obtaining oil concessions in Iran-Soviet border regions, really represents a victory for the USSR.)

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