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TOP SECRET

GENERAL

25X1

1. British view of Berlin traffic situation--According to US Ambassador Douglas in London, recent Soviet measures restricting truck traffic to Berlin are regarded initially by the British Foreign Office as merely another attempt by the USSR to throw its weight around. The Foreign Office believes once the USSR feels that the West has been "suitably impressed," traffic will be permitted to resume its normal flow. Douglas adds that the British consider the current restrictions illustrate the danger of any relaxation in western efforts to build up Berlin's stocks for the coming winter.

   (CIA Comment: CIA believes that the USSR will continue to impose sporadic obstructions on Berlin traffic in order to keep the western position in Berlin as weak as possible and to maintain pressure on the West during the present interzonal trade talks.)

25X1

2. Early four-power agreement on Austrian Army urged--General Keyes, US Commander in Austria, pointing out that the important question of the establishment of an Austrian Army prior to the withdrawal of occupation forces was not dealt with in the Council of Foreign Ministers, urges that the deputies take up this matter before treaty negotiations proceed too far. Keyes believes that: (a) it would be futile to attempt to secure Soviet approval in the Allied Council granting Austria permission to begin military planning before the treaty is ratified; and (b) the western powers would be inviting disastrous reprisals if they began organizing an Austrian Army in their zones without prior Soviet approval. Keyes expresses the opinion that in order to avoid grave risks to Austrian independence, this problem must be satisfactorily solved before the treaty is signed. Meanwhile, Keyes reports that 18 July has been accepted by the British and French as the date on which to commence the training program of the Austrian gendarmerie regiment in the western zones.

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(CIA Comment: CIA believes that the USSR will protest strongly separate western action in establishing the gendarmerie regiment and will attempt the maximum possible delay on both the Allied Council and deputy CFM levels in agreeing to permit the Austrians to begin military planning prior to ratification of the treaty. Meanwhile, the two major Austrian political parties have been engaged in secret high level discussions on military planning for more than a year.)

NEAR EAST - AFRICA

25X1

3. IRAN: Proposed US aid again criticized--US Ambassador Wiley reports that in a second discussion of the proposed US aid to Iran, Governor Ebtehaj of the National Bank of Iran was more vehement than during the first talk. Ebtehaj expressed the view that the US approach to Iran on this matter was not only "incomprehensible and unacceptable but also dictatorial in nature." He declared that if "this token and measly gesture" represented the final US word, he would most strongly recommend to the Shah that Iran disassociate itself from the US and, without going over to the Soviet side, either try to find help in other countries or stand on its own feet. Wiley believes that the Shah will be greatly influenced by Ebtehaj's reaction to the US offer and will not be satisfied unless US assistance to Iran equals that given to Turkey.

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