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**BOOK VI**

**TOP SECRET      DAILY SUMMARY**

**1 April 1947 (#343) - 30 June 1947 (#419)**

**EDITOR'S COPY**

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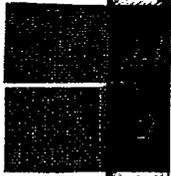
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GENERAL

1. USSR encourages unauthorized overflights of US occupation zones--US Civil Air Attache Deak reports that according to a "reliable source" the Soviet Director of the Hungarian airline MASZOVLET had advised his Soviet colleague in the Rumanian airline TARS to overfly the US Zones without authorization, as the US forces in Germany and Austria "could not put one fighter in the air even if they wanted to." (Deak further reports that MASZOVLET has already made two unauthorized overflights on an outright commercial basis to Zurich, using Soviet crews, and is planning other such flights. (The State Department on 31 May recommended to US Legation Budapest that an expression of strong dissatisfaction be made to the Hungarian Government.) The French Embassy in Warsaw has informed the US Embassy that the Polish airline LOT may fly to Paris across the US Zone Germany under the impending Franco-Polish air agreement. In view of "continued tolerance" by the US of unauthorized overflights, Deak now expects that TARS, as well as all other satellite airlines, will deliberately flaunt US control of air space over US Zones.

(CIG Comment: The USSR has been forcing Poland, Hungary, and Rumania to employ delaying tactics in respect to US attempts to negotiate air agreements with these Soviet satellites. Although the USSR apparently is still considering whether such agreements would be to its advantage, it is not hesitating to use the satellites in an aggressive civil air policy toward the US.)



2. Imam wants to interest US companies in Yemen oil--US Minister Childs reports from Jidda that the Imam recently requested K.S. Twitchell (a US engineer acting as advisor to the Yemen Government in its purchases of US Surplus Property) to attempt to interest US companies in Yemen oil. Childs adds that the presence of low-grade coal deposits as well as oil indications in the High Yemen has been confirmed by Twitchell.

3. Argentina seeks military supplies from USSR--US Embassy Moscow has been informed by the Brazilian Ambassador that Argentina's newly arrived Ambassador to the USSR has "confided" that he hopes to negotiate a "fairly large-scale" exchange of Argentine produce for military supplies from the USSR.

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US Military Attache Moscow comments that the Argentine Army is familiar with the "technical use" of German military materiel, of which the USSR now possesses large quantities.

(CIG Comment: Any report from a Brazilian source on Argentine military policy should be viewed with skepticism.)

4. Action to end US-Greenland agreement postponed--US Embassy Copenhagen reports that the Communist resolution calling for action to terminate the US-Greenland agreement, presented to the Parliament on 29 May (see Daily Summary of 26 May, item 4), was withdrawn after a statement by Prime Minister Kristensen that on 27 May a note had been handed to the US Government requesting early US-Danish negotiations over the issue. The Embassy adds that the Greenland question in the Danish Parliament is thus "evidently disposed of for the time being."

#### EUROPE

5. HUNGARY: Status of Nagy resignation--US Legation Bern reports that Prime Minister Nagy has confirmed his resignation but declared that he would not release his letter of resignation until the arrival of his small son from Hungary. Nagy said that before his departure for Switzerland on 14 May, he had requested the USSR to release Bela Kovacs to Hungarian authorities. On 28 May he was advised that his request had been denied on the grounds that the Kovacs investigation was incomplete and that Kovacs already had made confessions allegedly implicating Nagy. On 29 May he had prepared to return to Hungary, but before his departure was advised by Foreign Minister Gyongyosi not to leave Switzerland. Nagy denied the accusations made against him and emphasized that "no parliamentary action but a conspiracy between Russian occupation authorities and local Communists forced his resignation."

According to a CIG source, Nagy may be compelled to include in his resignation a statement exonerating President Tildy; the latter reportedly is cooperating with Communist Deputy Premier Rakosi.

US Minister Schoenfeld in Budapest reports that, in a 30 May joint communique, the Communist and Social Democrat Parties stated that they "believe it necessary to uphold the coalition government, in order to liquidate the crisis quickly and to permit the smooth continuation of the administration."

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6. **BULGARIA: Dimitrov uses incident to counteract Truman Doctrine--** Acting US Representative Horner believes that Prime Minister Dimitrov is magnifying the incident involving a US official of the ACC and the Bulgarian doctor employed by the US Mission (see Daily Summary of 31 May, item 2) in order to demonstrate that he is not intimidated by the Truman Doctrine. Communist leaders are reportedly disturbed by freely expressed hopes that the US, through further implementation of the Truman Doctrine, may force the present Bulgarian regime out of office.

## NEAR EAST-AFRICA

7. **TURKEY: Turks reluctant to reduce size of armed forces--**US Military Attache Ankara reports that the Turkish General Staff, in its initial meetings with the US Survey Mission, has adopted a cooperative attitude but is showing some hesitancy about any reduction in the size of the Turkish armed forces unless the Soviet threat is "reduced materially." The MA adds that the Turks themselves have proposed an army of smaller size, but that its formation would be dependent upon almost complete US re-equipment.

US Ambassador Wilson reports that the Mission has made most satisfactory progress. In a discussion with the British Charge, Wilson declared his opinions that the Mission: (a) should not dictate to the Turks the size of their armed forces; and (b) may, if requested, act in an advisory capacity but should concern itself primarily with determining how US aid may best be applied to contribute to Turkey's security.

8. **IRAN: Moscow may be contemplating purge of Soviet representatives--** US Military Attache Tehran, commenting on the recent departures for Moscow of the Soviet Ambassador and Military Attache, reports that a Kremlin purge of its representatives in Iran may be imminent because of "their obvious failure properly to implement Soviet interests" in Iran.

## FAR EAST

9. **CHINA: Tenuous Nationalist position in Manchuria--**US Consul Mukden reports that during the past two months the morale of Nationalist forces in Manchuria has deteriorated rapidly, and that apathy, resentment, and

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defeatism are spreading rapidly through Nationalist ranks. The Consul adds that Nationalist morale has reached a point where there is a possibility of "a sudden debacle, laying all Manchuria open to the Chinese Communists."

10. JAPAN: Preliminary UK Commonwealth talks on Peace Treaty--US Embassy London reports that the British Foreign Office has verbally confirmed recent press reports of an impending Commonwealth conference, which will probably be held in Canberra during August, in order to unify Commonwealth policy on a Japanese Peace Treaty. The meeting apparently is being held on the initiative of Minister for External Affairs Evatt of Australia, who is expected to present "some rather radical proposals," which the British hope to moderate. As the British Government has barely started formulating its views on the Japanese Peace Treaty, the Embassy adds, the UK will probably propose that the Japanese peace conference be delayed until after the Four-Power London Conference on Germany.
11. NEI: US Consul General continues optimistic--US Consul General Foote in Batavia reports that Premier Sjahrir of the Indonesian Republic appears very hopeful that armed clashes will be avoided and that agreement between the Dutch and the Republic will be reached and promptly implemented. Premier Sjahrir expressed to Foote his belief that the Indonesian Cabinet now understands the situation better and feels less bitter toward the Dutch. Consul General Foote himself believes that "military action will be avoided and peace restored."
- Dutch labor views on use of force--Vorrink, moderate chairman of the Netherlands Labor Party, has told US Embassy The Hague that he has tried to dissuade Schermerhorn, NEI Commissioner General, from attempting to use force to seize the Republican capital in the NEI. Vorrink declares that he is urging that, if military action becomes necessary, it should be aimed at seizing the sources of supplies of rice, water, and sugar on humanitarian grounds to alleviate famine conditions. Vorrink believes that the Netherlands Labor Party would support the latter action, but that a "colonial war" would cause a Party split, as a result of which left-wing Socialists would join with the Communists in national strikes.
12. PHILIPPINES: Quirino urges Roxas to sidestep collaboration issue--The Commanding General of the Philippines-Ryukyus Command reports that, according to a usually reliable source, Vice President Quirino has cabled President Roxas to sidestep the issue of a general amnesty for collaborators because the subject is "still too sensitive in the US."

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Chinese disturbed by anti-Chinese legislation--US Military  
Attache Manila reports that the Chinese Minister is greatly disturbed about anti-Chinese legislation pending in the Philippine Congress. The Chinese Minister has complained to President Roxas against a senate bill which would reduce the immigration quota to 50 annually.

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## GENERAL

1. UK proposes talks with US on German disarmament treaty--The UK Foreign Office has proposed that, before the next meeting of the CFM, the US and UK enter into discussions ("perhaps" including the French) with a view to modifying the draft Four-Power German disarmament treaty so as: (a) to make it more acceptable to the USSR "without losing its original character"; and (b) to examine certain points in the draft which, the UK believes, require clarification.

## EUROPE

2. FRANCE: Gold and dollar reserves nearing exhaustion--The French Finance Ministry has informed Embassy Paris that France's dollar position is such that in June or early July the Government will have to ask the Assembly to authorize another withdrawal from the Bank of France's present gold reserve of \$695,000,000; an unfavorable public reaction to this withdrawal is expected.
3. NETHERLANDS: Baruch's views on 27 May note--US Ambassador Baruch believes that: (a) the Dutch note of 27 May to the Indonesian Republic contains sound proposals; (b) the US might advantageously seek jointly with the UK to persuade the Republic to accept the terms; and (c) if present Dutch efforts fail, the US will be asked to mediate, unless "hot-headed" minorities precipitate a resort to force.

## FAR EAST

4. JAPAN: Australian maneuver on peace treaty--A spokesman for Australia's Department of External Affairs has suggested to US Embassy Canberra that US Ambassador Butler might go to Japan with Minister for External Affairs Evatt and possibly return from Japan with General MacArthur in order that Evatt could exchange views on a Japanese Peace Treaty with a US official "without necessitating inclusion of powers less directly concerned than the US and Australia." The spokesman declared flatly that he did not think that Australia would participate in a Japanese peace conference if the conference were arranged within the framework of the Far Eastern Commission, as such a procedure would permit the major powers to exercise the veto.

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5. PHILIPPINES: Joint body agrees on US loan issue--US Embassy Manila reports that the Joint US-Philippine Financial Commission has agreed in principle not to recommend a further budgetary loan from the US but to suggest that the Philippine Government should seek to balance its 1948 fiscal budget by taxes and domestic borrowing.

### THE AMERICAS

6. PANAMA: Argentine proposal expected regarding loan and trade--The Panamanian Minister of Public Works has informed US Embassy Panama that Argentine Senator Molinari (who headed the recent Argentine "good-will" tour) is expected to bring to Panama in the near future a definite proposition regarding a loan and the establishment of a "free trade area" as between Panama and Argentina.

Canal defense may be raised at Rio Conference--The Minister of Public Works has also informed the Embassy that: (a) a group of Latin American countries intends to "press for the immediate holding of the Rio Conference"; and (b) questions will be raised regarding the defense of the Panama Canal and the current defense-sites negotiations between the US and Panama.

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GENERAL

1. Greek Communists reportedly plan large-scale operations--US Military Attache Athens has received information, "as yet unchecked," from the Greek General Staff that Dimitrov (President of the Bulgarian Council of Ministers) has requested the Greek Communist Party: (a) to intensify bandit warfare and guerrilla activity in cities, thus restricting Government influence in Athens and Piraeus, and to bring the rest of Greece under complete bandit control; (b) to achieve bandit control of Crete as soon as possible; (c) to occupy Salonika for submarine bases; (d) to mine the Gulf of Salonika; (e) to intensify demolition of communication routes; and (f) to increase Communist activities generally in the eastern Mediterranean.

(CIG Comment: Other recent reports of Soviet determination to intensify guerrilla activity and to forestall effective implementation of the Truman Doctrine tend to substantiate the information received by the MA. A Special Evaluation of reported Soviet anti-US activities in Greece is being prepared.)

2. Reported Soviet willingness to cooperate on Trieste frontier--The French Embassy in Belgrade has informed the US Embassy that, according to the Yugoslav Deputy Foreign Minister, the USSR has told the Yugoslav Ambassador in Moscow that it is now willing to cooperate in the demarcation of the Free Territory of Trieste. In view of its two previous refusals to participate, however, the USSR reportedly desires the other three Powers to reopen the matter first. (US authorities have already begun demarcation of the Italo-Trieste border, but the USSR and Yugoslavia have thus far obstructed all efforts to delimit the much longer boundary between Yugoslavia and Trieste.)

3. Proposed US-UK action regarding Hungarian "coup"--In view of general agreement that the resignation of Premier Nagy resulted from the transmission of information to the Hungarian Government by the Soviet Chairman ACC, the State Department has asked the US Delegate ACC to join with his British colleague in requesting copies of all information connected with Kovacs' case handed to the Hungarian Government by the Soviet Chairman ACC. (Testimony allegedly given by Kovacs -- former Secretary-General of the Smallholders Party who is being held by Soviet authorities -- implicated Nagy in a conspiracy against the Government and was largely responsible for Nagy's decision to remain in Switzerland.)

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**EUROPE**

4. **HUNGARY:** Reported plans for Government-in-Exile--Hungarian Plenipotentiary Forgach in Prague has told US Ambassador Steinhardt of an impending attempt to establish a Hungarian Government-in-Exile by ex-Premier Nagy and a group of anti-Communist Hungarian diplomats (including the Chiefs of Missions at Washington, London, Paris, Brussels, and possibly Rome, Bern, and Ankara). The plan contemplates the establishment of such a Government only after Communist control in Hungary has become open and complete. Forgach believes that the present nominal Smallholders Government will last only until after "framed" elections permit an "out-and-out Communist Government" to assume power.
5. **YUGOSLAVIA:** Sudden friendliness to US and UK Embassies--US Embassy Belgrade reports that the Yugoslav authorities have recently shown greater courtesy and friendliness towards both the US and UK Embassies. The Embassy does not know the reason for this change of attitude and "is not certain if it is a favorable sign."
6. **USSR:** US Embassy denied contact with claimants to US citizenship--US Embassy Moscow reports that Soviet Deputy Foreign Minister Vyshinski has refused permission for an Embassy representative to visit claimants to US citizenship now in the USSR (see Daily Summary of 28 February, item 4). Vyshinski stated that "those persons whose presence on Soviet territory has been established are either citizens of the USSR or citizens of a third state"; he added that the US-Soviet agreement of 16 November 1933, affording legal protection to American citizens in the Soviet Union, therefore "is not applicable."
- Vyshinski also denied the Embassy's request that US citizens living in Latvia, Lithuania, and Estonia be permitted to return to the US, contending that these people "cannot be divested of Soviet citizenship merely by force of the fact of their birth on American territory."
- US-UK correspondents denied observation of UNRRA operations--US UNRRA Representative Waller in Minsk reports that the Soviet Ministry of Foreign Affairs has refused permission for Anglo-American correspondents to visit Minsk to observe the final phase of the UNRRA program in that area.
7. **FRANCE:** Ramadier governing on day-to-day basis--US Ambassador Caffery has been told by a high official close to Ramadier that the Cabinet is governing on a day-to-day basis and may fall within two weeks unless

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the critical food and strike situations improve. The informant stated that, unless the bread shortage can be improved by the arrival of grain vessels during the next four weeks, there is a definite possibility of a near collapse of public morale. According to the same source, the Communist Party appears unable to control the strikes which it at first secretly encouraged; the Communists fear that the spread of strikes may strengthen De Gaulle.

8. ITALY: Pro-Communist speech by CIO representative--US Consul  
Florence reports that a recent speech by CIO Representative De Novellis at the National Congress of the General Confederation of Italian Labor, which opened on 1 June in Florence, was a "shocking example of how an irresponsible American or fellow-traveller can misrepresent the position of labor in the US policy." De Novellis declared that recent trends in US policy had brought the US to the very threshold of fascism. His remarks were warmly applauded by the Communists and Nenni Socialists.

#### NEAR EAST-AFRICA

9. IRAN: Qavam expresses concern over possible Soviet aggression--US  
Ambassador Allen reports that Prime Minister Qavam, referring to unauthorized Soviet air operations in Iran, expressed concern over the possibility of forceful Soviet action, if the Iranian Government "did not handle the situation carefully." Qavam commented on reports of Soviet troop concentrations in the Caucasus and asked Allen what the US was prepared to do in case Iran was attacked. In reply, Allen pointed to US actions in the Security Council on Iran's behalf as convincing evidence of US determination to make the UN succeed. Allen is "by no means certain" that Qavam is genuinely afraid of Soviet aggression, and he considers it more likely that Qavam wants to keep alive local fear of such aggression for his own purposes.

#### FAR EAST

10. CHINA: Government resorts to "ruthless repression"--According to the US Military Attache Nanking, the Central Government appears to have "no answer except Gestapo action" to Chinese student, labor, and liberal press agitation for economic improvement and cessation of China's civil conflict. Martial law exists in practically all important cities except

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Nanking. The MA believes that the Government will "weather the storm by ruthless repression" as the various demonstrations and movements are poorly organized.

11. **KOREA: Reversal of Soviet position on consultation--US Political Adviser Langdon reports that developments at the 31 May meeting of the Joint Commission "give the definite impression that the Soviet delegation is under some driving compulsion to complete something concrete in the way of plans for a provisional government within the next two months."** Langdon adds that the Soviet position concerning parties to be consulted in the formation of a Korean government, as outlined at this meeting, reflects the "progressive collapse of the Soviets' stubborn defense of restrictive consultation and the complete surrender, on the record at least, to our insistence on leaving the question open."
12. **NEI: Dutch seek US aid in obtaining Republic acceptance of proposals--US Embassy London has been informed by the UK Foreign Office that the UK Consul General in Batavia has been instructed to urge Indonesian Republic authorities to accept the new Dutch proposals. A Netherlands Foreign Office representative, now in London, has expressed the hope that the US will also use its influence to this end. According to Embassy London, the Dutch believe that a concurrent US approach would increase the likelihood that the Republic would accept the proposals. The Embassy gained the impression that, if the Republic rejects the proposals, the Dutch will either withdraw from Java and Sumatra or, more likely, resort to "limited military action."**

#### THE AMERICAS

13. **NICARAGUA: Plan to dissolve Congress and call Constituent Assembly--According to US Military Attache Managua, General Somoza is completing arrangements to dissolve Congress and to summon a Constituent Assembly which will elect a new president, provide for minority participation in the Government, and outlaw Communism.**
14. **PARAGUAY: Government campaign retarded--US Charge Trueblood reports that the Government's northern campaign is being retarded by the recent rains, which have made the river frontier impassable, and by the**

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acute shortage of gasoline. Trueblood has been told by President Morinigo's secretary, however, that the rebels "in the face of imminent defeat" are no longer insisting that Morinigo relinquish his office and are prepared to consider terms that will "save their military careers."

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## GENERAL

1. Bevin concerned over effect of food on European politics--Foreign Minister Bevin has expressed to US Ambassador Douglas in London his view that, if both the US and UK fail to "deal appropriately" with the food situation in Western Europe, the USSR after July will attempt to exploit such failure and "may be successful in achieving coups d'etat." Bevin said he is particularly anxious about France and is currently formulating a proposal for dealing with Western Europe's food situation as "one entire problem." Bevin requested Douglas to guard his statements with the "greatest secrecy."
2. Bevin to divert UK-bound flour to Germany--According to US Embassy London, Bevin has finally agreed to divert 17,500 tons of flour, now en route to the UK, to Germany and will make efforts to obtain an additional diversion (see Daily Summary of 24 May, item 1) in return for the US promise to replace the quantities.
3. Food situation in UK "critical"--Bevin added that the current wheat situation in the UK is "critical" and that a recent, unpublicized 5% reduction in flour made available to bakeries is shortly to be increased by another 5% in order to build up stocks for the coming winter. If there should be a further reduction in the ration, he said, the "fellow-travellers" would be quick to make trouble.
4. UK not "overly sanguine" about Italian Cabinet--A UK Foreign Office official has told US Embassy London that although the UK Government hopes that the De Gasperi Government will be a success, it is not "overly sanguine" that this will be the case.
5. Proposed US protest to the USSR concerning Hungary--Subject to comments by US Embassies Moscow and London and the views of the UK Foreign Office concerning possible parallel British action, the State Department proposes to inform the Soviet Acting Chairman ACC Budapest that: (a) the US believes that there has been the most serious intervention by Soviet authorities in the internal affairs of Hungary without consultation of any kind with the ACC; (b) this intervention has forced the resignation of the Prime Minister and caused the formation of a government dominated by the minority parties; and (c) the Soviet Chairman of the ACC has failed to fulfill his responsibility to keep his UK and US colleagues informed and

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has even assisted in the execution of these actions. The note proposes the immediate formation of an international fact-finding body comprising representatives of the three ACC and Yalta Powers and adds that, if such a body is not established or cannot function effectively, the US may refer the matter to the UN.

### EUROPE

6. **USSR:** Morale reported at low ebb--US Embassy Moscow reports that, according to a veteran US correspondent with 14 years' residence in the USSR, public morale is worse now than at any time since the Revolution, but that the Soviet people are counting on a good harvest to effect some improvement in the general situation. The Embassy comments that this statement should be viewed in light of the general disappointment and disillusionment arising from over-emphasis by official propaganda on the threat of war and from the failure of peace to bring material benefits to the Soviet population. The Embassy cites, as an indication of official concern over public morale, a recent TRUD editorial which devoted more than a page to a discussion of labor discipline.
7. **BELGIUM:** Report of Leopoldist coup--A CIG representative has been reliably informed that the head of the Belgian National Security has cancelled a trip abroad because of a report that followers of King Leopold (who is in exile in Switzerland) plan to stage a coup following the departure of the Regent on 18 June to visit the Congo.
8. **GERMANY:** Soviet officer denies USSR will form separate government--Headquarters European Command Frankfurt reports that Marshal Sololovksy, Soviet Commander in Germany, has stated officially that no central German government for eastern Germany will be established, at least prior to the London Conference of Foreign Ministers (see Daily Summary of 21 May, item 5).

### FAR EAST

9. **CHINA:** Government gains "superficial success" in repressing students--With regard to the recent subsidence of student demonstrations in China (see Daily Summary of 4 June, item 10), US Embassy Nanking observes

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that the Central Government's "superficial success in preventing widespread disorders" does not mean that the impetus of student discontent has been destroyed. Informed opinion in Nanking, the Embassy adds, is that "something has now been started which cannot be destroyed by force, especially as the economic and military position of the Government deteriorates."

Manchurian military situation--According to US Consul Mukden, the present Chinese Communist military strategy in Manchuria is to bypass and contain Nationalist strong points and then to isolate these strongholds by cutting their lines of communication. The Consul states that the Nationalists are now withdrawing to a restricted defense perimeter around Mukden. Many refugees entering the Mukden area, the Consul adds, report that the heavier weapons -- artillery and heavy machine-guns -- now being employed by the Communist forces are Soviet-made.

#### THE AMERICAS

10. CHILE: Bretton Woods commitments may be withdrawn--President Gonzalez Videla has told US Ambassador Bowers that: (a) he fears that the attitude toward Chile in the US, as reported by a recent Chilean economic mission, closes the door to further US-Chilean economic cooperation; and (b) failing a "better understanding," Chile's Bretton Woods commitments may have to go by the board. Bowers predicts, however, an early willingness on the part of Chilean authorities to "put their financial house in order," and considers the moment ripe for negotiations (regarding Chile's debts to the US) looking to possible reopening of the question of a Chilean loan from the International Bank.

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## GENERAL

1. International Brigade reportedly formed to assist Greek guerrillas--US Military Attache Paris reports that a high official of the French Ministry of the Interior confirms the general accuracy of a Paris press report of 2 June that the Communists are recruiting cadres from the International Brigades (in southern France) into a new Brigade for operations in Greece. The MA adds that the Ministry of the Interior has started a thorough investigation of the matter.
2. Turkish fear of Soviet penetration in Middle East--US Ambassador Wilson reports that General Ali Fuad Cebesoy (a prominent Turkish statesman), who has returned from a three-month visit to Lebanon, Syria, and Egypt, is deeply concerned over the extent of Soviet activities in those countries, and "the ignorance and naivete of responsible people there regarding the real aims of Soviet policy." According to Wilson, Cebesoy believes that the disappearance of British influence in the Levant leaves a vacuum which will be filled either by the US or the USSR.

(CIG Comment: Although Cebesoy is unquestionably intelligent and sincere, his belief that "responsible people" in the Levant are blind to Soviet aims is considered exaggerated and is probably due to the conviction of the Turks that they alone appreciate fully the extent of the Soviet menace to the Middle East.)

## EUROPE

3. BULGARIA: Communists intensify campaign against Opposition--According to Acting US Representative Sofia, pro-Communists in the Fatherland Front Agrarian Party have, with overt Communist aid, wrested leadership from the Party's more moderate elements. Vice Premier Obbov and Georgi Dragnev, Minister of Public Works, have been replaced by FF Agrarians more willing to follow the dictates of the Communist Party.

(CIG Comment: This action, coupled with the reported arrest of Opposition leaders -- including Nikola Petkov, the most outspoken leader of the opposition Agrarian Party -- may indicate Communist determination to wipe out all effective Opposition elements in anticipation of: (a) the withdrawal of Soviet troops; (b) more aggressive action toward Greece; or (c) participation in a possible Balkan Federation.

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4. **HUNGARY:** Popular reaction to recent "coup" --US Legation Budapest reports that Soviet action in Hungary has caused profound pessimism and full realization that the country is again in the hands of an unscrupulous totalitarian power. The Legation believes that widespread fear, pessimism, and weariness have led the Hungarian people to accept their position as "hopeless."
5. **FRANCE:** German Socialists invited to Congress in Paris --US Ambassador Caffery reports that two German Socialists have been invited to attend the 18-23 June Congress of European and British Socialists in Paris. Caffery believes it significant that, for the first time since the war, the French Socialists have dared to extend such an invitation. He adds that when the question of a similar invitation arose last year, it was not even seriously discussed on the grounds that it would "shock" many Socialists, as well as the general public.

#### NEAR EAST-AFRICA

6. **IRAN:** Army plans against southern tribes believed ill-advised --US Embassy Tehran reports that the Iranian Minister of War has informed the US Military Attache of the Army's plans to move against the southern tribes following "disarmament" of the northern Kurds, "probably a week or 10 days from now." The Embassy believes that: (a) the well-armed and politically-organized Qashqais, who recently won a sweeping victory in parliamentary elections in Shiraz (capital of Fars Province), will be joined by a considerable group of Bakhtiari and minor tribes in resisting the Army; (b) a military campaign against the southern tribes at present would be ill-advised, as the situation is quiet and the regulation of tribal disarmament by peaceful means might still be accomplished; and (c) large-scale fighting in Iran at this time might lead to serious results.

Soviets may be planning to extend covert activities in Iran --US Military Attache Moscow believes that the Soviet Ambassador and the Military Attache returned to Moscow from Iran for a conference "which will probably result in increased support for Iranian underground activity for which present timing is believed good." (The MA in Tehran had previously suggested that the departure of these two Soviet officials for Moscow might foreshadow a purge of Soviet representatives in Iran; see Daily Summary of 2 June, item 8.)

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## FAR EAST

7. **CHINA: Communists have psychological advantage in Manchuria--US Consul General Mukden reports that the "smoldering resentment and hatred" of the Manchurian people toward Nationalist forces represents an even greater threat to the Nationalist position in Manchuria than the recent military reversals. Moreover, Nationalist troops from northern China no longer conceal their resentment against their predominantly-southern Chinese officers. The Consul General adds that the Chinese Communists have been treating wounded and captured Nationalist personnel with such apparent kindness, that Nationalist soldiers "no longer fear capture"; the Communists thus have been able to take over important Nationalist units and valuable equipment.**
8. **NEI: Scorched earth operation believed planned--US Embassy The Hague reports that, according to the US Naval Attache, the Dutch Marine Ministry claims to have intercepted messages from the Indonesian General Soedirman ordering Indonesian troop commanders to prepare to put into immediate operation a scorched earth campaign; Dutch Navy circles believe that this plan is entirely Soviet-inspired.**
9. **FRENCH INDOCHINA: Reported Vietnam intentions--Foreign Minister Bidault has told US Ambassador Caffery that, on the basis of information obtained from intercepted messages, President Ho Chi Minh of the Vietnam Republic has instructed his representatives that: (a) they should convey the impression that they desire to reach an agreement with the French; and (b) their real aim is to drive the French from Indochina. According to Bidault, these messages show "definite pro-Soviet orientation."**

## THE AMERICAS

10. **PARAGUAY: Brazil refuses mediator's request--US Charge Trueblood has been informed by the Brazilian diplomat who is seeking a negotiated peace in Paraguay's civil war that: (a) the Brazilian Foreign Office has refused to raise the question of possible US-Argentine support for his mediation plan; and (b) the diplomat is now pessimistic regarding the outcome of his negotiations.**

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## GENERAL

1. Joliot-Curie seen as anti-US influence in Latin America--US Ambassador Caffery reports that a Comintern agent "who has probably broken with Moscow" has told the Embassy that Joliot-Curie, French scientist and militant Communist, intends to mobilize Latin-American sentiment against such US policies as "standardization of armaments for hemisphere defense." This source said that Curie will work through Professor Jean Thomas, assistant to Director General of UNESCO Julian Huxley. The source also said that Toledano, prominent Mexican labor leader and a vice-president of the World Federation of Trade Unions recently visited Paris to confer "in this connection" with French labor leader Tollet, who has recently been designated by the Communist Party to act as liaison between the WFTU and UNESCO.
2. UK Foreign Office pleased by President's statement on Palestine--A Foreign Office official has informed US Embassy London that he was greatly pleased by President Truman's 5 June statement on the Palestine situation; he thought it "contained all the right things."
3. Bevin praises Marshall's 5 June speech--US Embassy London has transmitted to Secretary Marshall Bevin's "personal appreciation" of the Secretary's 5 June speech at Harvard. Bevin has approved an official comment for press release that "official quarters" warmly welcome the speech and consider it an encouragement to the UK and European countries to know that their efforts towards economic recovery will be supported and aided by the US. The comment concludes that, at the same time, the UK is pursuing trade talks with the USSR which, if successful, will help restore Europe's equilibrium.  
(CIG Comment: In recent months the UK Foreign Office has rarely neglected any opportunity to publicize the UK-USSR trade negotiations. This policy helps disarm the Government's extreme-left critics and is designed to fix responsibility on the USSR if negotiations break down.)
4. UK anxious to divert wheat to France--Bevin has informed US Ambassador Douglas that he would probably be able to divert up to 24,000 tons of grains to France, as requested by the French Government; Bevin has asked if the US will replace the quantity. Bevin voiced his anxiety over the threat, which he takes seriously, of a French political upset. He said that the food situation in France is critical. (Bevin had previously expressed in

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confidence to Douglas his concern over the European food situation in general and in particular over its effect on the French political situation; see Daily Summary of 5 June, item 1.)

5. Bevin's views on US and UK protests over Hungary--Bevin has also told Douglas that he is considering instructing the UK Ambassador in Moscow to make an oral protest to Molotov concerning the Hungarian "coup" after all the facts have been examined. Bevin believes that it might be more effective, if the US and UK followed different procedures in making their protests.
6. Tentative USSR-Iceland trade accord reached--US Legation Reykjavik reports that the USSR, after more than four months of stalling, intensified trade negotiations with the Icelandic representatives in Moscow immediately following signature of the recent British-Icelandic trade agreement. The Legation adds that a tentative accord has been reached which on the surface appears highly favorable to Iceland and will thus be exploited by the Icelandic Communists but actually imposes conditions which Iceland may be unable to meet.

As the USSR defaulted on a previous agreement when Communists were eliminated from the Cabinet, the Icelandic Foreign Minister is puzzled by the current Soviet willingness to come to terms which may strengthen the prestige of the non-Communist Government at a time when local Communists are attempting to weaken it by strike agitation. The Legation believes that the USSR has abandoned its dilatory tactics in anticipation of a collapse of the present Government, in order to "go the British one better."

7. USSR-Bulgarian trade negotiations reported near breakdown--The Acting US Political Representative in Sofia has been informed by several Government sources that the USSR is driving a very hard bargain in its trade and financial negotiations with the Bulgarian Government. As a result the Bulgarian Communist Minister of Commerce has virtually broken off the negotiations and Communist Vice Premier Kostov has flown to Moscow in an attempt to obtain more favorable terms. The US Representative believes that the Bulgarian Communists are finding it hard to reconcile Communist loyalty with Bulgarian nationalism.

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8. Soviet forces reportedly increased near Iranian border--US Military Attache Tehran reports that, according to the Iranian Chief of Staff, Soviet forces in the vicinity of Lenkoran (on the Caspian Sea) have been increased by possibly one division, including aircraft and an estimated 200 tanks. (Similar unconfirmed reports regarding Soviet troop concentrations have been received from Prime Minister Qavam and other Iranian officials; see Daily Summary of 4 June, item 9.)

## EUROPE

9. FRANCE: Ramadier favors economic cooperation with Europe--US Ambassador Caffery has been told by "a reliable and highly placed informant specializing in economic affairs (who is also very close to Ramadier)" that Premier Ramadier, after long consideration, has concluded that (a) France's economic recovery depends on the rehabilitation of the rest of Europe; and (b) France should cooperate closely with other European countries with a view to utilizing the Continent's economic resources for the good of Europe as a whole. The informant reports that the Premier is considering making overtures along this line in the near future, although he is fearful that the British (whose participation he considers essential) may delay or be reluctant to cooperate fully in such a program.
10. GRECE: US concurs in temporary increase in Greek Army--The State Department has informed US Embassy Athens that, if the Embassy agrees, the Greek Government may be informed that the US concurs in a temporary increase in the Greek Army of 20,000 troops to replace veterans of long service (see Daily Summary of 28 May, item 2). The Department adds that the increase should be for a period of approximately three months, after which the Army should be reduced to the original ceiling of 120,000.

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GENERAL

1. Purpose of Yugoslav-Rumanian discussions--According to US Charge Belgrade, the size and makeup of the Rumanian delegation now in Belgrade indicate that discussions concerning economic relations and a customs union, rather than a cultural convention, may be the real purpose of the meeting. US Acting Representative Bucharest reports that, according to Palace sources, Rumanian Foreign Minister Tatarescu was reluctant to attend the meeting which he feared was called to discuss: (a) political questions; and (b) a verbal agreement on an eventual Balkan political alliance in answer to the US aid to Greece and Turkey.

EUROPE

2. GREECE: Marked deterioration in northern Greece--Lt. Col. Allen Miller, US member of the subsidiary group of the SC Border Investigation Commission, reports from Salonika that the situation in northern Greece is marked by a new low in civilian morale and a loss of faith among many Greeks in the ability of any political party or of UK-US help to rectify the situation. Miller attributes the deterioration chiefly to: (a) politics within the Army and the Gendarmerie; (b) the Greek tendency to class all Macedonians as collaborators; and (c) the Government's failure to deal successfully with the guerrilla situation either by force or by amnesty. Miller adds that many loyal citizens have deserted to the left-wing camp. Miller concludes that prolongation of the present situation may seriously threaten the success of the entire US-aid policy. He feels that a solution of the political problem which will provide some sense of security among the people is a prerequisite to any effort toward reconstruction.

US Consul Salonika reports an apparent change in guerrilla tactics; the guerrillas now are launching major attacks which may force the Greek Army to change from the offensive to the defensive. He adds that the economic situation in northern Greece is deteriorating further because of interrupted communications, harvesting, and distribution arising from fear of bandit activities.

3. POLAND: Opposition to interim US air rights--According to US Charge Keith in Warsaw, Zielinski, Director of the Polish airline LOT, has told US representatives that he will "oppose with all vigor" the US desire to obtain interim air rights into Warsaw. Zielinski argues that there is not

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enough traffic now between Berlin and Warsaw to support his own line. He indicates, however, that: (a) he will support American Overseas Airline operations into Warsaw as soon as LOT is in a position to make reciprocal flights to New York; and (b) if current negotiations for the purchase of Douglas DC-6's are successful, LOT will be able to begin such flights. Embassy Warsaw maintains its previous opposition to US credits for this purpose.

4. **ITALY: Dunn urges delay in deposit of Treaty ratification**--US Ambassador Dunn believes that a "very serious situation would arise" if, as a result of the deposit of ratification by the Big Four, the Italian Treaty were to go into effect before Yugoslavia ratifies. Dunn points out that, in such an event, the US military commitment in Italy would conflict with the strict obligation under the Treaty to withdraw US troops from all of Venezia Giulia except the Free Territory of Trieste. In view of this possibility, Dunn believes that if Yugoslavia does not soon ratify, the deposit of ratification should be delayed pending Big Four discussions.

**Trade with Yugoslavia viewed as necessary**--Dunn has been informed by "an absolutely reliable source" that the position of the Italian Foreign Office in regard to Italian trade arrangements is that: (a) emphasis must be placed on satisfactory trade arrangements with the US; and (b) second only to this, Italy must establish trade relations with Yugoslavia in compensation to the USSR for Italy's efforts to improve its trade relations with the US.

**US hopes right-wing Socialists will share Cabinet**--Dunn has been informed by Secretary Marshall that, in view of the propaganda value in Italy of the Communist charge that the US is supporting reactionary elements in the new Government, the leaders of the right-wing Socialist Party (PSLI) should be informed of the US view that the situation requires the loyal cooperation of all truly democratic elements in the national interest. The Secretary adds that all European governments today need the support of the democratic Left and the fullest possible representation of the working classes. The US hope (which is to be presented to De Gasperi as well as to Saragat) is that the way may yet be cleared for eventual participation of the PSLI in the Government.

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5. **HUNGARY: Legation recommends broadcast by Nagy**--US Legation Budapest recommends that ex-Premier Nagy make a carefully-worded radio statement concerning recent events in Hungary. The Legation believes that such a broadcast might be helpful: (a) in combatting the full force of intensive and locally-uncontested Soviet propaganda; (b) in slowing down implementation of the Soviet program in Hungary; (c) in providing the basis for possible resistance within Hungary; and (d) in suggesting the possible organization of Hungarian forces outside Hungary. In this last connection, the State Department has instructed its representatives abroad to avoid giving encouragement to the formation of a Hungarian Government-in-exile, because such action would serve no useful purpose (see Daily Summary of 4 June, Item 4).

Communists may replace Tildy--Ex-Hungarian Minister Gordon in Bern has told US Minister Harrison of his belief that the Communists will soon get rid of Hungarian President Tildy by offering him an estate to which he could retire, and that Tildy might be replaced by Count Michael Karolyi, whose "weakness" was instrumental in paving the way for the Communist coup led by Bela Kun in 1919.

Communists desire early arrival of new US Minister--A Foreign Office official has told US Legation Budapest that the leftists are most anxious for the arrival of the new US Minister and plan to exploit his arrival as an indication of US acceptance of the legality of recent events in Hungary.

6. **BULGARIA: Views on US recognition of Government**--US Acting Representative Sofia believes that it would be a great mistake if the US were to recognize the present Bulgarian regime after the Peace Treaty without making assiduous efforts to obtain specific assurances in advance on outstanding problems between the US and Bulgaria. The Representative adds that, unless such minimum assurances are received, the US should face the fact that it will have no influence in Bulgaria in the future and must abandon any hope of implementing the Peace Treaty guarantees for freedom of speech and assembly.
7. **USSR: US citizens prevented from leaving USSR**--US Embassy Moscow reports a number of cases in which persons, whose US citizenship has been verified and who are not dual nationals, have been prevented from leaving the Soviet Union. In some such instances, requests for exit visas have been ignored and, in others, departure has been prevented even after the issuance of exit visas.

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8. **AUSTRIA:** Communist leader seeks change of government--US Legation Vienna reports that, according to Foreign Minister Gruber, Communist Leader Fischer has told Chancellor Figl that the USSR has indicated it will never agree to a treaty with the present Austrian Government. Fischer proposed that a "new government of strong men" be formed without elections and include elements regarded favorably by the USSR. The Legation reports that Figl flatly rejected the proposal and adds that Gruber has released the story to the press, hoping: (a) to elicit Soviet repudiation of the proposal; or (b) to rally US and Austrian support to resist the Soviet demands. The Legation observes that for several weeks Fischer has been making overtures in regard to such changes in the Government, but that it is not clear whether Fischer is acting on firm instructions from Moscow or seeking to rehabilitate himself within his Party.
9. **GERMANY:** French steps to consolidate the Saar--The Department of State has informed the US Political Adviser Berlin that the French Embassy has revealed in strictest confidence plans to set up on 7 June a unilaterally-established Saar frontier and to announce on 10 June that the conversion of the Saar currency will be effected on 15 June. Furthermore, Ambassador Bonnet has reported to the Department of State that, in the recent Anglo-French coal discussions, the French proposed that the US, UK, and French representatives advise the European Coal Organization that Saar coal henceforth should be regarded as French.

## NEAR EAST-AFRICA

10. **INDIA:** First obstacle to application of British plan--US Embassy New Delhi reports that the first material obstacle to the application of the British plan for India has arisen over opposition by Jinnah to the method of selecting a partition committee.

## FAR EAST

11. **CHINA:** Nationalist position in Manchuria not expected to improve--In the opinion of US Embassy Nanking, it is highly unlikely that the Central Government can reinforce Manchuria sufficiently to effect any immediate

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improvement there. The Embassy points out that: (a) reinforcement of the isolated Nationalist garrisons in Manchuria raises difficult transportation and supply problems; and (b) in view of the insecure Nationalist position in Shantung and other North China areas, where reinforcements are also needed, any attempt to send troops to Manchuria would be "robbing Peter to pay Paul." The Embassy believes that the Chinese Communists in Manchuria have the power either to continue undermining Nationalist strength or to force further Nationalist withdrawals.

According to the Embassy, the Chinese Minister of Communications has told a US official that the Government may have to withdraw its main base of operations to the port of Hulutao (midway between Tientsin and Mukden); the Commander in Chief of the Chinese Navy has gone to Hulutao to make plans for this eventuality.

#### THE AMERICAS

12. PARAGUAY: Mediator to confer with rebels--US Charge Trueblood has been informed by Negrao de Lima, the Brazilian diplomat who is seeking a negotiated peace in Paraguay's civil war, that: (a) he will shortly confer again with rebel spokesmen; and (b) the Morinigo Government is now prepared to pension (but not to leave on active duty) officers who have participated in the revolt and to grant an amnesty to the remaining rebels. The Paraguayan Foreign Minister has informed Trueblood that his Government wishes the US to be a participant in any mediation that may be undertaken, but reiterates his view that the Government "needs a military victory."

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## GENERAL

1. US hopes to obtain agreement in SC on Greece--The Department of State has informed the US delegate to the UN that its principal objective in the Greek case is to enable the Security Council to fulfill its responsibilities with respect to the dispute by terminating border violations by Greece's northern neighbors through the adoption of the substance of the SC Investigation Commission's proposals. In an effort to avoid a Soviet veto and to obtain agreement in the SC, the Department feels that the SC should not make: (a) any decision with respect to the facts of aggression in the Ethridge Report; (b) any formal finding with respect to responsibility; and (c) any determination with regard to a threat to the peace.

The Department recommends, furthermore, that the US delegate consult with SC members, prior to the SC proceeding, in order to obtain agreement in the SC to the Commission's constructive proposals for settlement of the dispute. If the SC is prevented by the veto from adopting these proposals, the US is determined to pursue the matter until a satisfactory solution is reached.

2. Possible Soviet-Hungarian mutual assistance pact--US Legation Budapest has unverified information that Hungarian military leaders are drafting a mutual assistance pact between Hungary and the USSR which may provide for eight Soviet garrisons in Hungary.

3. Brazil might accept DP's from US-UK Zones Europe--US Ambassador Pawley reports that Brazil might conceivably be persuaded to enter into an arrangement under which Brazil would receive most of the displaced persons in the US-UK Zones in Europe under a program financed and directed jointly by the US, UK, and Brazilian Governments.

Pawley had previously been assured by Brazilian officials that Brazil would accept a percentage of Jewish immigrants equal to the Jewish proportion of the present population of the US Zone (reportedly 15%). Brazilian missions, according to Pawley, at present seem to be under instructions to exclude all Jewish immigrants.

4. Charge Cabot recommends policy for dealing with Yugoslavia--US Charge Cabot in Belgrade believes that the basic US policy toward Yugoslavia should exploit possible conflict between Yugoslav and Soviet interests and between pro and anti-western elements within the Yugoslav Government.

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Cabot believes that, in the face of continuous irritations caused by the Yugoslav Government's lack of courtesy, the US should: (a) avoid adverse official publicity except when positive arguments clearly overbalance the resentment caused by such publicity; (b) make serious attempts to eliminate just Yugoslav grievances; and (c) take prejudicial actions against Yugoslavia only as specific retaliation for some legitimate grievance. Although Cabot is not optimistic over the success of such a policy, he believes it "well-calculated to place the US in a favorable position."

### EUROPE

5. USSR: NA suspects Soviets have exaggerated economic plight--US Naval Attache Moscow suspects that previous reports of Soviet economic weakness have been deliberately exaggerated by the Kremlin and comments that, under cover of the allegedly "worst drought in 50 years," the USSR has: (a) maintained food reserves; (b) threatened the people into all-out production efforts; (c) acquired sympathy abroad; (d) gained support for Soviet reparation demands; (e) avoided contributions to European welfare; and (f) executed population shifts with a minimum of resentment. When current crops are harvested, the NA believes, the Kremlin will have valuable economic ammunition for its struggle for control of Europe and Asia and can readily overcome the low domestic morale resulting from its recent policies.
  
6. HUNGARY: Status of Smallholders' Party--Several leading Smallholders have told US Legation Budapest of their belief that: (a) the Smallholders' Party has ceased to exist as an independent political party; (b) Communist stooges using political terrorism completely control the Party and resistance to them is impossible; and (c) although the moderate majority in the Party could in theory expel the Communist stooges, it fears retaliation by the Communists which would throw the country into chaos.

Possible Communist-Social Democrat split--The Legation believes that the intended visit of Social Democrat Deputy Premier Szakasits to Paris may be an effort to suggest to the Hungarian Communists that the Hungarian Social Democrats might follow the French Socialist example, if the Communists continue their attacks on the Socialist right-wing. According to the Legation, the belief is growing among Social Democrats that the Communists will attack them with the same tactics which were so successful against the Smallholders.

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## FAR EAST

7. CHINA: UK Government concerned over situation--The UK Embassy Washington has orally informed the Department of State that the UK Government is concerned over the situation in China, particularly in Shanghai. UK representatives in China have been authorized to appeal to the Commander of the British Fleet for warships to undertake "rescue and protective action" in the event that disturbances endanger British lives and property. The State Department has informed the UK Embassy that the situation had not appeared to warrant the preparation of a similar US plan and has requested the views of US Embassy Nanking.

Presence of Soviet-trained North Koreans in Manchuria doubted--

With regard to Central Government press claims that Chinese Communist forces in Manchuria were being aided by troops from North Korea, US Consul General Changchun points out that about 1,400,000 Koreans were located in Manchuria in 1944, and that concrete proof that the troops in question actually came from North Korea "would probably be very difficult to obtain." (The US Naval Attache Nanking has also questioned the reliability of Central Government claims, terming them "highly exaggerated"; he adds that there is no evidence that Korean units in Manchuria were Soviet-trained.)

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## GENERAL

1. Possible Soviet intentions vis-a-vis Iran--US Military Attache Tehran summarizes reports from unconfirmed Iranian sources concerning increased Soviet activities vis-a-vis Iran which he feels may indicate that the USSR intends: (a) to reoccupy northern Iran; or (b) to create a situation similar to that which existed during the "democratic" regime in Azerbaijan last year; or (c) merely to bluff the Iranians into granting oil and other concessions. The MA adds that the USSR "at least appears" prepared for direct military action, if the Iranian Parliament should reject the oil concession. He considers it unlikely, however, that the USSR would overtly enter Iran, and he believes that any action taken would probably be restricted to the re-entry of Pishevari (former leader of the Communist movement in Azerbaijan) and his henchmen, supported by Soviet troops in civilian clothes.
2. Soviet policy in southeastern Europe reportedly directed by Dimitrov-- A highly-qualified source has told US Acting Political Representative in Bucharest of his belief that: (a) Bulgarian Premier Dimitrov is charged with implementing Soviet policy in southeastern Europe; (b) this Soviet policy follows the original pre-war Comintern program which envisaged integration of the area into a political and economic unit on the Soviet model; and (c) the program is to be implemented in three general stages: cultural, economic, and political. Source added that Rumanian-Yugoslav cultural and economic agreements will probably be signed at Belgrade (see Daily Summary of 9 June, item 1), and that the recent Rumanian-Bulgarian cultural agreement will be followed by an economic pact. Source also believes Hungary will shortly be included in the over-all scheme.
3. Reported Soviet offer to buy Iran's opium stock--US Embassy Tehran reports that, according to "fairly reliable" information, the USSR has offered to buy 3,000 cases of opium, representing most of the stock held by the Iranian Government, for resale in the Far East at highly-inflated black market prices.

(CIG Comment: The 3,000 cases referred to amount to about three times the annual peacetime requirements of the USSR. However, the suggestion that the USSR is purchasing opium stocks for resale in the Far East is not supported by any available evidence. It is more probable that the USSR is stock-piling opium for emergency medical use.

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4. US views on possible UK compromise on atomic controls--US Ambassador Douglas has been instructed by Secretary Marshall to convey to Foreign Minister Bevin the US Government's great concern over the possibility that the UK is prepared to compromise on the rigid international control of atomic energy through international ownership and management, which was approved by the UN Atomic Energy Committee last December. The Secretary adds that, if the UK should submit a proposal calling for less strict control in an effort to reach agreement with the USSR, such action would be most unfortunate and would create great confusion by indicating apparent division among the Western Powers.
5. UK to divert more flour to Germany--According to US Embassy London, Bevin has concluded that he will not authorize the diversion of UK grain to France (see Daily Summary of 7 June, item 4) in the light of projected forthcoming US deliveries to France, but he has agreed to divert two additional cargoes of UK-bound Canadian flour to Germany.
6. US response to Australian tactics on Japanese Treaty--The Department of State has requested US Embassy Canberra to inform the Department as to Australian views on the Japanese peace treaty, and has instructed the Embassy to make it clear to the Australian Government -- without initiating discussions on the subject -- that the US is not yet prepared to enter into bilateral discussions. The Department has also indicated that it does not feel that any useful purpose would be served by implementing the Australian proposal that Minister for External Affairs Evatt and US Ambassador Butler visit Japan (see Daily Summary of 3 June, item 4).

**EUROPE**

7. USSR: Molotov denies Soviet interference in Hungary--US Embassy Moscow reports that Soviet Foreign Minister Molotov, in a conversation with the British Ambassador about the Hungarian situation, denied any Soviet interference and charged the British with repeated attempts to intervene in Hungarian internal affairs. Molotov further denied Soviet secretiveness with respect to the western representatives on the Control Council, and he observed that the Soviet member only assisted his US and UK colleagues in matters directly concerning them, whereas "this question did not."

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The British Ambassador describes the conversation as a "school-boy's argument"; he considers Molotov's accusations a positive indication of Soviet interference, in accordance with the established Soviet practice of charging others with the crimes which the USSR itself is committing.

Embassy Moscow urges measures to counter Soviet propaganda-- US Embassy Moscow considers it essential that the US endeavor, by all possible means, to counteract the anti-American campaign now being waged by the Soviet propaganda machine and the Comintern apparatus abroad. The Embassy suggests the release for press and radio dissemination of documentary evidence illustrative of Soviet duplicity and hypocrisy, as one of several possible means of combatting the Soviet campaign.

8. **BULGARIA:** Increased aid to Greek partisans--According to Acting US Representative Sofia, the US Military Mission believes that Bulgarian aid to the Greek partisans is at an all-time high.
9. **CZECHOSLOVAKIA:** No immediate internal upheaval anticipated--In view of the relatively stable internal situation in Czechoslovakia, US Ambassador Steinhardt believes it improbable that any such revolutionary events as those which recently occurred in Hungary will be repeated in Czechoslovakia in the near future. Steinhardt confirms that Vice Foreign Minister Vyshinsky and Marshals Koniev and Budenny are taking the cure at Karlovy Vary, but he has found no evidence that the Soviet visitors have conferred with high Czech officials.
10. **AUSTRIA:** Current public opinion depressed--US Legation Vienna reports that the internal political situation is less alarming than represented in the press abroad. The Legation adds, however, that the recent events in Hungary and the slow progress of the Treaty Commission are having a seriously depressing effect on public opinion.
11. **FRANCE:** Socialists want Communists to share Government--US Ambassador Caffery reports that Socialist observers, who strongly approve of continuing the present Government, are concerned over the mounting sentiment in the Socialist Party in favor of bringing the Communists back into the Cabinet. This sentiment is based on a belief that: (a) the Socialists are on weak ground in their efforts to oppose the Communists on the wage issue; and (b) in view of the municipal elections this fall, the Communists should share the "trials and tribulations of government." As a result, important Socialists are seriously discussing the possibility of a new tri-partite cabinet.

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12. **CHINA: Ultimate Communist control of Manchuria likely--US Minister-Counselor Butterworth, who has recently visited Mukden, reports that the Chinese Communists apparently have the means and ability to gain ultimate control of Manchuria. Butterworth believes that the Communists will not "force the issue prematurely." as they are convinced that any Nationalist reinforcements arriving in Manchuria will "in due course be infected by the dry-rot" which now seems to pervade Nationalist forces there.**

As reflections of the ineptitude with which the Central Government has run its military and civil affairs in Manchuria, Butterworth notes: (a) a decided anti-Government feeling on the part of native Manchurians; and (b) a lack of unity within the Nationalist Army in Manchuria where many military and civil officials are distinctly critical of the Government.

Chinese-Mongol conflict in Sinkiang--The US Consul in Sinkiang Province has received Chinese Nationalist reports that on 5 June, four Soviet-marked planes bombed a town in northeastern Sinkiang, near the Outer Mongolian border. The attack reportedly took place upon expiration of a Mongolian ultimatum demanding the return of eight Outer Mongolian soldiers captured by Nationalist defense troops in an earlier clash; the Soviet-marked planes appear to have flown into Sinkiang from Mongolian territory. (Other Central Government reports indicate that the air attack was followed by the arrival of Outer Mongolian troops, and that fighting is continuing in the area.)

(CIG Comment: All reports thus far have come from Central Government sources, who appear to have become increasingly articulate of late in their charges of Soviet interference in Chinese affairs, possibly owing to recent Nationalist reversals in Manchuria and continued frustration of Nationalist negotiations with the USSR regarding both Dairen and Sinkiang. The current fighting in Sinkiang may develop into a large-scale conflict with international implications, but, in its present form, it resembles similar clashes that have occurred in the past, arising from a long-standing dispute over delineation of the Sinkiang-Outer Mongolian border.)

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## GENERAL

1. Conference of Cardinals cancelled in view of "tension" --The US Military Attache Havana reports that Cardinal Arteaga has been informed by the Vatican that the Conference of Cardinals (scheduled to open in Ottawa on 18 June) has been cancelled. The Conference, according to the MA, was called to discuss "the seriousness of the world situation and the imminence of war," and it was cancelled because of increased tension and possibly because of concern that there is "not sufficient time now for the Cardinals to attend and return to their home stations."

(Cardinal Tisserant, Vatican authority on the USSR, believed in September 1946 that there was a fifty-fifty chance that the USSR would provoke war in 1946; see Daily Summary of 19 September 1946.)

## EUROPE

2. FRANCE: Near-hysterical fears of western diplomats --US Ambassador Caffery reports that recent events in Hungary have almost hysterically frightened officials of western European nations in Paris who assume that Austria will be the next to fall and that the entire Continent will eventually fall under Soviet domination.
3. ITALY: Saragat and minor leftist parties may join Cabinet --Giuseppe Saragat, leader of the right-wing Socialist Party, has told US Ambassador Dunn that he is willing to enter the De Gasperi Government along with the minor parties of the Left (excluding the left-wing Nenni Socialists and the Communists) now that the Christian Democrats have taken the responsibility for excluding the extreme Left. Saragat believes that: (a) the proper solution for the present situation in Italy would be a government of the Center and the Left without the Communists; (b) the present De Gasperi Government would not receive more than a ten or fifteen vote majority and thus would be too weak to govern; and (c) the proposed enlargement of the Cabinet could be effected before a vote of confidence is taken in the Assembly and thus insure a larger majority for the Government.

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4. **BULGARIA: Reported anti-Communist underground**--A "usually reliable" CIG source in Athens believes that armed opposition to the Dimitrov regime has begun in the mountains along the Greek border. Source states that 135 Pomaks (Bulgarian Moslems who advocate that the Bulgarian border area where they reside be transferred to Greece) and another small armed group have taken to the hills. Representatives of Petkov have reportedly promised to support Pomak desires in return for aid in ousting the Communists.

(CIG Comment: Many unverified reports have been received recently concerning an armed anti-Communist underground in southern Bulgaria. In view of Greece's claim to territory in Bulgarian Thrace, the existence of such an underground will further strain Greek-Bulgarian relations and may lead to more frequent border incidents.)

Opinions on US and UK recognition of Bulgaria--According to US Representative Sofia, his British colleague has suggested to the UK Foreign Office that: (a) the present time is inopportune for the resumption of full diplomatic relations with Bulgaria; and (b) the US and UK have a strong weapon in their ability to withhold approval of Bulgaria's admission to the UN. The US Representative believes that Premier Dimitrov is "tremendously anxious" that Bulgaria be recognized and admitted to the UN.

#### FAR EAST

5. **FRENCH INDOCHINA: French negotiations with Bao Dai**--US Consul Saigon reports that the French High Commissioner in Indochina and several of his staff left for Paris yesterday, following the return of his representative from Hongkong where the latter had contacted Bao Dai, former Annamese Emperor. Reports from US sources indicate that the High Commissioner's representative had little success in urging Bao Dai to side with the French; the former Emperor allegedly said that his best offer to date had been from President Ho Chi Minh's party, the Viet Minh.

#### THE AMERICAS

6. **COLOMBIA: Government thinks consultation on Nicaragua unnecessary**--US Embassy Bogota reports that the Colombian Government has determined

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that the American Republics (except Venezuela and Argentina, which have not yet officially made known their attitudes) do not intend to recognize the new Nicaraguan regime and favor postponing action with respect to it. Colombia is willing to sponsor an immediate consultation regarding Nicaragua if the US Department of State so desires but sees no necessity for such action "at this time."

7. PARAGUAY: Government offensive to begin--US Charge Trueblood Asuncion reports indications that the Government is about to launch an offensive in the north. According to the Paraguayan Minister of Foreign Affairs, the Government has reports that two rebel gunboats have been receiving Uruguayan arms and supplies, and may try to proceed to Asuncion; the Minister added that Government artillery in Asuncion should be able to prevent their approach.
8. PANAMA: Ambassador believes Panama "weakening"--US Ambassador Hines comments, with reference to a recent statement by President Jimenez (that Panama is "on the road" toward accepting the US position on the defense sites agreement), that the Panamanian stand is "weakening."

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EUROPE

1. CZECHOSLOVAKIA: Steinhardt's views on recent Communist statement--  
According to US Ambassador Steinhardt, a recent speech by Communist Premier Gottwald indicates that the Czechoslovak Communists: (a) have launched a strong offensive against the Slovak Democratic Party aimed at splitting it or forcing a basic modification of its program; and (b) are angered by the effectiveness with which some of their pet measures have been whittled down in Parliamentary committees. Steinhardt adds that the speech suggests an increasing cleavage between the Communists and the other parties which will increase the difficulties of continuing the national front.

2. GREECE: Trouble between Zervas and head of British Police Mission--  
A reliable CIG source in Athens reports that Sir Charles Wickam, Chief of the British Police Mission in Greece (which is expected to continue its work in cooperation with the program of US aid), has been having difficulties with Minister of Public Order Zervas; Zervas has been ignoring Wickam and refusing to take any advice. Source adds that Wickam has stated categorically that either Zervas must go or the Mission will be withdrawn, and a showdown is expected in a matter of days.

(CIG Comment: As Zervas has also been under strong attack from members of the Greek Government and from opposition elements throughout the country, it is expected that he will be forced out of office.)

FAR EAST

3. KOREA: Soviet plans for establishment of provisional government--US  
Political Adviser Langdon reports that "it is almost a foregone conclusion" that the Soviet delegates to the Joint Commission will oppose the establishment of a provisional Korean government by free, multi-party electoral processes despite the USSR's recent acquiescence to US conditions for consultation with all Korean democratic parties. The USSR has already indicated to the US delegation that, while it favors an elected legislature, it desires that members of the provisional government be appointed. Langdon interprets this position as indicating that the USSR expects to gain control of the provisional government.

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Langdon expects that the Soviet delegation will press for a highly-centralized government "with the intention of Communizing Korea," and he suggests that the "politically immature Koreans probably will be strongly influenced along oriental lines and will gravitate" in the direction of centralization while giving lip service to democracy.

#### THE AMERICAS

4. COLOMBIA: President prefers bilateral arms discussions--US Embassy Bogota reports that, according to the Colombian Foreign Minister, President Ospina considers that the apportionment of US arms among Latin America Republics should be discussed bilaterally (by the US and each Government) rather than at the forthcoming Rio Conference.

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EUROPE

1. FRANCE: Government technical victor in strike settlement--US Embassy Paris reports that the settlement of the railway strike came as a relief both to the Government and the General Confederation of Labor (CGT). According to the Embassy, the Government technically scored a moral victory in that the men returned to work before it discussed terms directly with the union. CGT headquarters have privately admitted to the Embassy that public and worker opinion is opposed to large-scale strikes in basic industries at this time.
2. AUSTRIA: Fischer-Figl incident strengthens Socialists--US Legation Vienna reports that excitement over the disclosure of the meeting between Chancellor Leopold Figl (People's Party) and Communist Leader Ernst Fischer is subsiding. Although Fischer's demarche failed to effect a change in the composition of the government, the Legation believes that it has to some extent compromised both Figl and his conservative People's Party and at the same time has weakened the coalition between the People's Party and the Socialists. The Legation expects that the Socialists, who alone emerged untarnished from the incident, will probably win increased support in consequence.

FAR EAST

3. NEI: Tension increasing between Dutch and Indonesians--The US Naval Liaison Officer in Batavia reports that the Indonesian reply to the Commission General memorandum is considered by the Dutch in the NEI as "unsatisfactory and impertinent." He adds that tension is increasing between Dutch and Indonesian military forces in all occupied areas and particularly near Semarang in Java where the Indonesians are burning villages and constructing defenses.

Dutch Foreign Office views--US Embassy The Hague reports that the Netherland Foreign Office continues to take a pessimistic view regarding the chances of implementing the Linggadjati Agreement and sees no solution other than military action or Dutch withdrawal. The Foreign Office considers the Republic's reply to the Commission General's note a rejection of Dutch proposals. The Foreign Office has observed to the Embassy that, as the US and UK now are on record with

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the Dutch Government as indicating that the Dutch proposals are "reasonable," the Netherlands cannot be expected to recede to an "unreasonable" position. According to the Foreign Office, orders again have been given to the military to take every precaution against possibility of "incidents", even in face of evidence of a scorched earth campaign near Dutch areas.

Views of Dutch Catholic Party--The leader of the Dutch Catholic Party has told the Embassy that: (a) the Republican reply to the 27 May note was somewhat of a surprise and disappointing; (b) Dutch armed forces may have to be used to return Dutch owners to their estates; and (c) a majority of Dutch workers would not support a general strike in Holland, if the Dutch resorted to limited military action.

4. CHINA: Embassy comment on Sinkiang incident--US Embassy Nanking, on the basis of available information, considers that the report of an Outer Mongolian invasion of Sinkiang has three possible explanations: (a) a minor border clash lacking significance; (b) a Soviet attempt to embarrass the Chinese Government while it is having difficulties in Manchuria and North China; or (c) the current Chinese policy of exploiting any incident involving the USSR in order to influence US public support for financial aid to China. According to the Embassy, the manner in which the Chinese Government reported the alleged incident tends to support explanation (c). The Embassy notes that the information apparently was in the hands of the Chinese Government several days before action was taken and that the resultant flurry of excitement in official nationalist circles appeared "somewhat artificial and out of proportion." The Embassy adds, however, that "Soviet interest in Sinkiang and Soviet readiness to exploit any opportunity to its own ends are beyond reasonable doubt."
5. NEW ZEALAND: Views on Japanese Peace Treaty negotiation--US Minister Warren has been informed in strict confidence by New Zealand Secretary of External Affairs McIntosh of New Zealand's belief that Australia's Minister for External Affairs Evatt is maneuvering to exclude New Zealand in the negotiation of the Japanese Peace Treaty. McIntosh indicates that New Zealand is determined to maintain complete independence and "under no circumstances will acquiesce in Australia representing Australasia." McIntosh added that he and other members of the New Zealand Government will try to persuade New Zealand Minister of External Affairs Fraser not to raise the question of the veto in connection with the Japanese Treaty, as they are convinced that the exercise of the veto will have to be accepted in principle.

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**THE AMERICAS**

6. **BRAZIL: Government studies immigration plan--US Ambassador Pawley reports that the Brazilian Government has under consideration a plan for a joint US-Brazilian immigration program which would bring to Brazil an initial 50,000 displaced persons from the US Zone Germany and would call for a \$50,000,000 US contribution against a larger sum from Brazil. In Pawley's view the plan offers the US an "excellent opportunity."**

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GENERAL

1. Iran fears possibility of Soviet aggression--Prime Minister Qavam has informed US Ambassador Allen that Soviet officials in Moscow recently warned the Iranian Embassy that it would be "very dangerous for Iran" if the Iranian Government procrastinated regarding the Soviet oil proposal. Qavam added that on 13 June he stated, for publication, to a correspondent of a Paris newspaper that: (a) newly-elected members of Parliament have indicated that the proposal would not be ratified if submitted in its present form; (b) failure of the bill to pass would be an indignity both to himself and to the Soviet Government; and (c) consequently, he would not present the existing proposal to Parliament. Qavam concluded that further negotiations were therefore necessary before the proposal could be submitted to Parliament with any likelihood of passage.

Qavam expressed his fear to Allen that, in view of recent Soviet activities in Hungary, Austria, Bulgaria, and Mongolia, Soviet reaction to his published statement might extend even to invasion of Iran. He requested Allen to ask the US to inform the Soviet Government at this time that the US: (a) would support fully Iran's right to make its own decisions on the petroleum question; and (b) would "make a declaration of hostilities against Russia in case Iran, a member of the United Nations, should become the victim of aggression in this matter."

2. Danubian military pact reported--According to Acting US Political Representative Melbourne in Bucharest, a "qualified source" has definitely confirmed previous reports that responsible military officials of Rumania, Bulgaria, Yugoslavia, and Hungary (with the Czechoslovaks as observers) are meeting in Belgrade in order to "determine the respective roles of the participants in a general military alliance." The Representative interprets the conference -- which has also reached cultural, political, and economic agreements -- as "unmistakable evidence" of a Communist plan to unite all Danubian states in a single political bloc.

3. Danubian air transport conference reportedly planned--Melbourne also reports that, according to a usually reliable source within the Rumanian Civil Aviation Bureau, a general Danubian air transport conference will also be held in Belgrade which will be closely coordinated with the current military conference. Source states that the conference -- which will be attended by Yugoslavia, Czechoslovakia, Hungary, Rumania, and Bulgaria -- will attempt to conclude a multilateral air pact. This pact, according to

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source, would be designed to "escape the obligation of using foreign air-lines and to defend the economic independence of Danubian countries which is endangered by the intention of certain powers to establish economic supremacy by extending air lines in and through these countries."

4. Soviet air policy in Europe--US Civil Air Attache Deak, currently in Budapest, reports that continued stalling by Hungary, Poland, and Rumania in air negotiations with the US clearly indicates the USSR's determination to exclude US and UK civil aviation from its zone of influence and to extend satellite lines into Western Europe where they will connect with overseas services through Czechoslovakia. Deak suggests as possible retaliatory measures that the US might: (a) block satellite airline expansion, direct and indirect, into Western Europe and the Near East; and (b) prevent satellite countries, as well as the USSR, from obtaining US aircraft or air equipment.
5. UK will propose Dutch-Indonesian round-table conference--US Embassy London reports that the UK Foreign Office feels that continued exchanges of notes between the Dutch and the Indonesian Republic will resolve nothing and is therefore considering suggesting to Dutch and Indonesian representatives that a round-table conference be held to thresh out existing differences.

#### EUROPE

6. RUMANIA: Soviet civilian migration continues--Melbourne also reports that Soviet civilians continue their immigration into Rumania; such immigrants fall into the following categories: (a) officials and technicians engaged in the operation of joint Soviet-Rumanian enterprises; (b) secret police; and (c) civilians performing auxiliary military functions for Soviet occupation forces. The over-all Soviet plan, according to Melbourne, appears to call for tight control of the Rumanian economy and the maintenance of a Soviet-type police system capable of controlling Rumanian politics. In the opinion of US observers in Rumania, the USSR plans to dominate and eventually to annex Dobruja.

(CIG Comment: Dobruja lies along Rumania's Black Sea coast; its annexation would give the USSR a strategic corridor in the direction of the Turkish Straits and would connect Soviet and Bulgarian territory; see Weekly Summary of 23 May, page 8.)

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7. **GREECE: Government stresses need for help**--The Greek Government, in a note presented to the US on 13 June, states that Greece is virtually involved in an undeclared war which it is compelled at present to wage alone. The Government declares that it is unable to see how long the situation can be kept under control or how long the collapse of Greek Army morale can be averted. The Government adds that it is counting upon the Security Council to safeguard the independence of Greece. It asserts that, if the SC proves inadequate and Greece remains unaided, the situation could lead to fresh disasters of which the eclipse of Greece would be but the opening phase.

**MacVeagh considers speedy US aid imperative**--US Ambassador MacVeagh reports his belief that the psychological and material results of continued delay in opening the US aid program on the highest level will make final success more difficult to achieve. MacVeagh urges that Dwight P. Griswold (head of the aid program) come to Athens at the earliest possible date and be accompanied by a Major General to help evaluate the increasingly difficult military and security situation in Greece. MacVeagh adds that the situation in northern Greece in particular is steadily deteriorating toward a point where economic operations in "that vital area" may prove impossible.

## FAR EAST

8. **JAPAN: Atcheson's comments on Soviet charges against occupation**--US Political Adviser Atcheson comments that charges made by the Soviet delegate in a UN committee meeting on 14 June (including the allegation that "the American-controlled Japanese Government is closing its eyes to fascist activities") appear to be the initial attempt of the USSR to attack the occupation openly in the UN. The Political Adviser urges that these Soviet charges, which "are a repetition of a Soviet propaganda line which has long been familiar to us in Japan" (see Daily Summary of 14 April, item 13), be refuted and that the War and State Departments act to meet false propaganda directed against the occupation.
9. **CHINA: Embassy's views on UK concern**--US Embassy Nanking (in reply to the State Department's request for its views on UK concern over the situation in China; see Daily Summary of 10 June, item 7) reports that it sees no reason for the presence of UK warships in China waters specifically

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for "rescue and protective action" because there is as yet no serious breakdown of government authority in areas where foreign nationals are concentrated. The Embassy believes that the responsibility for protection of US life and property should, for the time being, remain with civil authorities and that the US should not permit the "indiscriminate stationing of naval vessels along the coast of China" until a real need arises. The Embassy notes, however, that under certain circumstances the rescue of Americans or other nationals would be both "necessary and advisable" but points out that at present a large number of newly-created Soviet citizens reside in the same areas as American citizens and that "protective action" by either UK or US fleets "could well lead to undesirable Soviet intervention."

#### THE AMERICAS

10. NICARAGUA: All Republics reportedly favor non-recognition--US Embassy La Paz reports that, according to replies received by the Bolivian Foreign Minister, all the American Republics support non-recognition of the Nicaraguan regime.

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## GENERAL

1. UK suggests US initiative in joint offer on NEI--US Embassy London reports that the UK Foreign Office plans to ask the State Department whether the US is prepared to take the initiative with the UK in a joint offer of good offices in the current Dutch-Indonesian negotiations. The UK Foreign Office believes that time is now "running out" and that, as the UK has intervened on three previous occasions in order to prevent Dutch-Indonesian conflict, US initiative at this time would be more welcome.
2. US representations to Moscow might arrest aggression against Iran--US Ambassador Allen reports that, although it is difficult for him to evaluate Iranian opinion on the likelihood of a Soviet attack (see Daily Summary of 16 June, item 1), he agrees with Iranian officials that some representations to Moscow by the US regarding Iran might have a salutary effect and might possibly arrest any idea of Soviet aggression against Iran which may be developing in Moscow.
3. Lebanon and Syria agree on pipeline--US Minister Pinkerton reports from Beirut that Lebanon and Syria have agreed on the division of the benefits from the projected trans-Arabian pipeline. Pinkerton adds that the negotiation of a Transit Convention between Syria and the Trans-Arabian Pipeline Company is therefore not expected to encounter any difficulties. (The signing of the Transit Convention would establish the northern route of the pipeline across southern Syria to a terminus on the south Lebanon coast.)

## EUROPE

4. HUNGARY: Public reaction to US note--According to US Charge Budapest, there are indications that the US note on the recent "coup" in Hungary: (a) has bolstered the Opposition which was momentarily paralyzed by the sudden and decisive nature of the Communist putsch; (b) may have prompted Sulyok's courageous and vigorous speech in Parliament; and (c) has given hope to many Hungarians who recollect successful UN action on the Iranian issue and now anticipate further action by the US.

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5. **POLAND:** Widening split between Communists and Socialists--US Military Attache Warsaw reports a widening breach between the Polish Communists and Socialists and cites as evidence: (a) increasing police pressure on the Socialists to merge with the Communists; and (b) public attacks by each Party upon the other's political and economic views. The MA points out that the Communist attacks on the Socialists are similar to those used against Mikolajczyk's Peasant Party prior to the January 1947 elections; however, he does not expect an imminent showdown between the two parties.
6. **RUMANIA:** Inequitable distribution of US-bought cereals--Information reaching the US Mission in Bucharest indicates that, contrary to official Rumanian Government reports, cereals bought in the US are not being distributed equitably throughout the country, but are being diverted to trade union and industrial commissaries and, in rural areas, to Government supporters. The Mission adds that famine conditions in certain parts of the country are more serious than during last winter.
7. **UK:** Bevin's comments on Harvard speech--Foreign Minister Bevin has informed US Embassy London, in connection with Secretary Marshall's Harvard speech and his own visit to France, that he is "thinking along the lines of a British-French Monnet plan for Europe as a first step," and that he believed the UN should be associated with the plan.
8. **FRANCE:** Ramadier fears economic disaster--Premier Ramadier has told US Ambassador Caffery that the French Government is vastly interested in the plan advanced by Secretary Marshall at Harvard and that, unless some such program is carried out, France, as well as other western European countries, is headed for economic and financial disaster, probably during the latter part of next year. While deferring any discussion of the plan pending Bevin's arrival in Paris, Ramadier indicated that he is considerably worried by the Soviet attitude toward the speech as shown by the French Communist press.
- Socialists favor Marshall proposals--US Embassy Paris reports that militant Socialists in general regard the Secretary's plan as evidence that the US is not an imperialistic power seeking to transform Europe into semi-colonial dependency. According to a Socialist active in the trade-union movement. US policy as reflected in the Harvard speech gives to European Socialism its "greatest chance of survival."
- Bidault's views on Bevin's visit--Foreign Minister Bidault has told US Ambassador Caffery that he is "not too happy" about Bevin coming

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to Paris at this juncture, because Bidault does not want to give the impression to the small nations of Europe that a Franco-British condominium is out to dominate western Europe. Bidault told Caffery that he will work wholeheartedly with Bevin, but he prefers that France and the UK approach Washington separately in regard to the Marshall proposals.

#### NEAR EAST-AFRICA

9. IRAN: Cabinet changes reportedly approved--The Shah has informed US Ambassador Allen that he has approved a new Cabinet, in which almost all the present ministers except Qavam are replaced, in order to "put some honest men in the Government." The Shah added that he would retain Qavam to handle the Soviet oil question but would dismiss him, if it appeared that Qavam "was not handling the matter well."

#### FAR EAST

10. CHINA: Apathy growing among Nationalist military leaders--The French Military Attache, who has just returned from a trip along the east-west Lunghai railway (adjacent to the North China area of conflict), has confirmed to US Embassy Nanking previous reports that apathy in Nationalist military circles is growing rapidly. In addition to a general reluctance to fight other Chinese, the MA cites "inadequate and irregular pay, poor rations, and long separation from home" as reasons why Nationalist officers, even senior commanders, are talking in terms of a political rather than a military settlement of the Chinese Communist problem.

#### THE AMERICAS

11. ARGENTINA: Reported Argentine opposition to arms plan--The Argentine Ambassador in Moscow has told the Mexican Ambassador, according to US Embassy Moscow, that Argentina: (a) is not greatly interested in acquiring arms from the USSR (see Daily Summary of 2 June, item 3); (b) will oppose the US plan for Hemisphere arms standardization; and (c) can count on support in the matter from Chile, Bolivia, Paraguay, and Uruguay.

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(CIG Comment: US Embassy Buenos Aires has in recent months consistently reported that Argentina is postponing large-scale arms purchases pending the negotiation of a Hemisphere Defense Pact. Ambassador Messersmith has frequently reiterated Argentina's intention to cooperate loyally with the other American Republics. Defeat of the arms-standardization plan would invite the perpetuation, through bilateral negotiations of Brazil's present armaments advantage over Argentina. Argentina, therefore, is not likely to oppose the plan.)

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## GENERAL

1. Views on results of Belgrade conference--US Charge Cabot in Belgrade reports that, according to the best local information, the reported conference in Belgrade between political and military representatives of Yugoslavia, Rumania, Bulgaria, Hungary, and Czechoslovakia did not yield sensational results and did not involve military discussions as serious and definite as indicated in recent reports from Bucharest. (The Acting US Representative in Bucharest had reported that the purpose of the conference was "to determine the prospective roles of the participants in a general military alliance"; see Daily Summary of 16 June, item 2.) Cabot believes, as does the US Military Attache Belgrade, that: (a) the Bulgarian military delegation comprised political rather than technical military experts; (b) the Czechoslovak representatives were not informed of the Bulgarian visit and believed they were made "innocent pieces of a war of nerves"; and (c) there is no evidence of the presence in Belgrade of either a Rumanian or Hungarian military delegation.
2. Tito's talks with UK Air Minister--According to US Embassy Belgrade, British Air Minister Noel-Baker (ostensibly in Belgrade to open a UK book exhibit) had conversations with Tito and other Yugoslav officials in which the Yugoslavs: (a) emphasized their hope that the Governor of Trieste would not be anti-Yugoslav; (b) indicated they would be satisfied with about one-thirtieth of their original claim for Carinthia; and (c) offered the UK a civil air agreement. The UK Foreign Office has told US Embassy London that the conversations also indicated the Yugoslavs: (a) would be more tolerant of the British cultural activities in Yugoslavia; (b) would be more conciliatory toward settlement of UK property claims; and (c) were eager to foster trade with the UK. The UK Foreign Office believes that Tito may have been carried away by the presence of a UK Cabinet Minister and may never implement this show of friendliness.
3. Saudi Arabia suggests treaties between US, UK, and Arab States--The Saudi Arabian Deputy Foreign Minister has informally suggested to US Minister Childs that the US consider multilateral treaties between the US, the UK, and the Arab States. The Deputy Foreign Minister explained that: (a) the US had sought to create a first line of defense by aiding Greece, Turkey, and Iran; and (b) a second line of defense of great importance to the US consists of Saudi Arabia, Yemen, Iraq, Syria, Lebanon, Palestine, and Egypt. The suggested treaties, he said, would remove such

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problems as the Greater Syria plan and the Anglo-Egyptian dispute. Despite the Deputy Foreign Minister's statement that his remarks were unofficial, Childs believes they reflect recent discussions among members of the Arab League in Cairo and possibly ideas of King Farouk of Egypt, with whom the Deputy Foreign Minister is very close.

4. US views on use of force in NEI--The Department of State has requested US Embassy The Hague to inform the Netherlands Foreign Office that the US Government is increasingly concerned over indications that the Dutch may resort to military force in an effort to break the deadlock in Indonesia. The Embassy is to state that such action would be regarded unfavorably by the US, would arouse serious adverse US public reaction, and would be self-defeating. The US, furthermore, "feels very strongly that the door should not be closed to further negotiations" between the Netherlands Government and the Indonesian Republic.

The Department has also instructed the US Consul General at Batavia to inform the Indonesian authorities of the US view that the Dutch proposals of 27 May offer "a timely opportunity to achieve an essential step toward obtaining the objectives of the Linggadjati Agreement." (In the meantime, US Embassy The Hague has reported that, while the latest report from the Dutch Commission General takes the view that further negotiations would not be useful, the Dutch Foreign Office thinks a re-statement of the Dutch position should be incorporated in an aide-memoire to the Indonesians as a basis for one final discussion.)

#### EUROPE

5. ITALY: Outside aid urged to preserve democracy--US Ambassador Dunn believes that the political situation in Italy has reached a point of delicate balance where the outcome between totalitarianism of the extreme Left and democracy may be decided by the extent to which outside aid will support the democratic elements which are attempting to meet the heretofore unchecked drive of the Communists.

President's intention to resign denied by aide--Dunn reports that, in spite of the rumors that President De Nicola may resign, the President's aide has categorically denied to the Embassy that De Nicola contemplates such action at this time.

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GENERAL

1. Spaak's views on UN and recent US proposals--Henri Spaak, former President of UN General Assembly and now Premier of Belgium, has told US Charge Achilles in Brussels that to bring the Hungarian question before UN would do much to prove the present powerlessness of UN and might fatally weaken public confidence in it. Spaak said that UN would remain powerless as long as the veto exists and that the Truman Doctrine and the Marshall proposals were bringing the western world closer to a decision as to whether to form a strong organization without the USSR.

Spaak referred to Secretary Marshall's Harvard speech as "world shaking" and said it would have his fullest support. He declared that everyone knew that the USSR would either not participate at all or would participate only to sabotage the program. The decision to organize Europe economically without the USSR would mean, according to Spaak, "the definitive splitting of Europe . . . with consequences of the greatest political and possibly military significance."

2. UK desires diplomatic relations with the Ukraine--The British Embassy in Washington has requested the views of the Department of State concerning a British desire to establish diplomatic relations with the Ukrainian SSR. The UK believes that advantages accruing from representation in Kiev would include: (a) a source of reports on an area of great economic and military importance; (b) an additional center for cultural contacts; and (c) an opportunity to observe the operation of the Soviet Government outside of Moscow. In return, the UK considers it would only have to accept Ukrainian representatives in the London diplomatic corps.

3. Arab States warn of popular reaction against US and UK--The Iraqi Government has presented to US Ambassador Wadsworth a detailed statement of the Arab case on Palestine. The Ambassador was informed that similar notes had been given to US and British Missions in all Arab capitals. The note "demands" that the US: (a) immediately stop any action which might encourage or continue Jewish immigration into Palestine; and (b) support before the UN the Arab demand for the termination of the Palestine Mandate and the proclamation of Palestine's independence as a sovereign Arab state.

The Iraqi Prime Minister commented to Wadsworth, apropos of the note, that, while Iraq's foreign policy was oriented toward the fullest collaboration with the US and UK and diametrically opposed to the USSR,

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he feared that the Iraqi and other Arab governments might not be able to control the internal situations in their countries if the US and UK continued to support the Zionist cause.

4. Dutch views on US suggestions regarding NEI--US Ambassador Baruch has been told by the Netherlands Foreign Minister that, although the Government is aware of the importance of US suggestions (concerning the desirability of a peaceful settlement in the NEI; see Daily Summary of 18 June, item 4) it feels that "time is of the essence" and that there always remains "the unhappy possibility of the limited military operations." Baruch gained the impression from this conversation that, while the Dutch Government would sincerely try to avoid armed conflict, it did not believe that the NEI situation "would brook prolonged and unproductive negotiations in the eastern manner."

#### EUROPE

5. ITALY: President to resign after vote on De Gasperi--US Ambassador Dunn reports that, according to a member of Premier De Gasperi's staff, President De Nicola will resign after the Assembly takes a vote of confidence on the present Government but will remain until his successor has been chosen.

(CIG Comment: Bonomi and Sforza have been mentioned as possible successors to De Nicola; if either is chosen, De Gasperi would undoubtedly be reappointed Premier. This occasion might offer De Gasperi an opportunity to broaden his Cabinet to include the right-wing Socialists who have already indicated their willingness to share in the Government; see Daily Summary of 12 June, item 3.)

6. GREECE: Tsaldaris would welcome Soviet veto in SC--US Ambassador MacVeagh reports that Foreign Minister Tsaldaris, in a conversation on the Greek situation, stated his opinion that the Security Council's decision on the Balkan Investigation Commission's report was of paramount importance, and that the US aim should be to attract rather than avert a Soviet veto. Tsaldaris feels that such a veto would free the Western Powers to take appropriate action, while Soviet agreement to inadequate recommendations would permit indefinite continuance of the USSR's present clandestine but highly effective tactics.

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## FAR EAST

7. CHINA: Continued stalemate over Dairen--US Consul General Mukden has learned from the Chinese Survey Mission to Dairen (now en route to Nanking to report) that the USSR sought to have the Mission negotiate with the Dairen puppet government. The Mission was willing to meet members of the puppet government as local residents but declined to meet them as authorities. Negotiations with Soviet authorities, meanwhile, remain deadlocked because the USSR is unwilling to admit Chinese armed forces to former leased territory and because the Chinese are unwilling to recognize the delimitation of a new Soviet military district in the Dairen area. The Consul General has further been informed that US Consul General Benninghoff in Dairen is "effectively isolated from local contacts."

US position on EximBank credit--The Department of State has advised US Embassy Nanking that it told the EximBank on 11 June that it would not press for extension beyond 30 June 1947 of the US\$ 500,000,000 credit now earmarked for China. The Department's decision is based on: (a) the necessity of avoiding sterilization of US\$ 500,000,000 of the EximBank's funds in view of competing needs, as in Europe; (b) the unlikelihood in any event that China would receive that amount in actual advances during the next fiscal year; and (c) the belief that such action would not prejudice favorable action on individual projects for China considered after 30 June. The Department, in fact, will support early favorable action on Chinese applications for individual projects which can qualify for EximBank financing.

8. PHILIPPINES: Roxas views on basis for treaty negotiations--President Roxas has advised Vice President Quirino in Paris, in connection with a proposed treaty of friendship with France, not to change Philippine policy with foreign nations (with respect to trade, ownership of property, and travel) from a most-favored-nation basis to a reciprocity basis. Roxas has instructed Quirino, if feasible, to negotiate the French treaty on a most-favored-nation basis. "with the usual exception in favor of the US."

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**THE AMERICAS**

9. **BOLIVIA: Mine union threatens general strike--US Ambassador Flack reports that leaders of one of Bolivia's two large tin-mining workers' unions have threatened to strike the entire tin-mining industry unless 300 discharged Patino Company miners are rehired. The company has told the Government that it will order a shutdown unless its terms (undisclosed) are met. The Embassy comments that a shutdown would result in Government seizure and operation of the Patino mines.**

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EUROPE

1. UK: Labor Party's left-wing "rebels" lack strength--US Embassy London considers that the left-wing Socialist "rebels" have no significant influence on Labor Party foreign policy, although on certain specific issues they may win occasional concessions. The Embassy adds that, while Bevin secured an overwhelming victory at the recent Labor Party conference, he will probably encounter a strong Communist-inspired opposition at the September conference of the Trade Union Congress. According to the Embassy, steps are being "quietly" taken inside the TUC in an effort to cope with the situation.

FAR EAST

2. CHINA: Generalissimo stresses seriousness of situation--In an interview with US Ambassador Stuart on 19 June, Chiang Kai-shek declared that it would be impossible to maintain the Nationalist position in Manchuria much longer, adding that he had only fully realized the gravity of this situation three days earlier. Chiang added that a decision regarding Manchuria must be made in "a very few days." He said that the Chinese Communists, aided by the USSR, had been growing stronger in numbers and equipment, while the Nationalists were unable to replace their losses. He also referred to Soviet obstructionist tactics regarding Dairen, and concluded that "the loss of Manchuria would threaten north China and the danger would spread all over the country." Chiang asked Stuart to seek Secretary Marshall's advice as to future policy and also requested Stuart's own views.

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Stuart replied that the time may now have arrived for Chiang to organize a small but capable group of policy advisers to work with him, to reduce all but emergency expenditures, and to launch a new revolutionary movement in China under determined, progressive leadership in order to win popular support. To this end, Stuart said, the Government should courageously carry out civil reforms, urge the people to hold the Communist Party responsible if it refused the latest peace proposals, and should in other ways -- including a country-wide tour by Chiang himself -- seek to "win back popular support or ask to be relieved of the task." With the people behind him, Stuart added, Chiang need not fear the Communists and should continue to "keep the door wide open" for a resumption of peace negotiations.

At the conclusion of the interview Chiang said that he had been "thinking along very much the same lines."

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## EUROPE

1. **FRANCE: Recurrence of inflationary trends--** US Embassy Paris notes a recurrence in France of inflationary trends and lack of public confidence in the future of the franc.
2. **GREECE: Wheat and milk urgently needed--**US Ambassador MacVeagh reports that the situation in Greece regarding wheat and milk has now become so critical that, unless immediate relief is forthcoming, a breakdown of bread rationing and milk distribution to infants and pregnant women seems certain before the aid program as now planned gets under way. MacVeagh recommends that: (a) the State Department take over direct responsibility for shipments of wheat and milk; and (b) immediate advance be made to the Greek Government under the aid program for other vital dollar expenditures to be made under the supervision of the Embassy pending Griswold's arrival, "which should by all means be expedited."
3. **RUMANIA: US grain distributed to Communist trade unions--**On the basis of reports from qualified observers in the famine areas, the US Military Representation Bucharest has grave doubts that the distribution of US grain is being carried out in accordance with the purchase agreement. The grain is apparently being distributed to Communist trade unions and government supporters in rural areas, none reaching the famine region.  
New arrests forecast--According to the Acting US Representative in Bucharest, the Rumanian Minister of Interior told the Secretary of the British Labor Party that the Rumanian Government is now holding 1,303 political prisoners. The Minister added that he expected a new series of arrests which might raise the total to 5,000.

## FAR EAST

4. **CHINA: General Chang comments on Sinkiang incident--**With reference to the recent events in Sinkiang (see Daily Summary of 11 June, item 12 and of 14 June, item 4). General Chang has stated to the US Consul in that province his opinion that the conflict at Peitashan occurred because of confusion as to the exact location of the frontier, complicated by cumulative tension between the Soviets and the Chinese. He ascribes subsequent Chinese publicity to an "apparent willingness of the Central Government

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to magnify the incident in order to direct the mind of the public away from student strikes and other domestic difficulties."

(CIG Comment: The General Chang in question is apparently General Chih-chung, until recently Governor of Sinkiang.)

Reported resignation of Chen Li-Fu--Ambassador Stuart cables that he has "been given to understand from a reliable source" that Chen Li-Fu has been removed from the Secretary Generalship of the Political Committee of the KMT by order of the Generalissimo. No public announcement of this event has been made and no confirmation has yet been obtained.

(CIG Comment: Chen Li-Fu is the leader of the CC Clique, extreme right wing of the Kuomintang Party.)

5. KOREA: US plans for establishment of provisional government--In reply to the US Political Adviser's recent report on Soviet attitudes in the Joint Commission (see Daily Summary of 13 June, item 3), the Department of State has instructed him that the US may agree to let the Joint Commission appoint the members of the provisional government of Korea, but will insist that "definite provision be made for holding a general election at the earliest practicable date, such election to be either for a legislature which in turn will select a Government or for direct election of the personnel of the Government." In order to make certain that these elections are free, the US would insist on the use of the secret ballot as well as multi-party slates and would favor supervision by a commission of the UN which would exclude nationals of the four trustee powers.

Rightist abstention from consultation--The US Political Adviser reports that followers of Rhee Syngman are making every effort to persuade Rightist elements to abstain from consultation with the Joint Commission, asserting that in that case the US would not go through with the establishment of a provisional government. This propaganda has had effect on Rightist leaders who desire to cooperate, but greatly fear an eventual seizure of control by the Communists, as in Hungary. Although all Leftist organizations have taken the first step toward participation in the consultations, five important Rightist groups have so far refrained from doing so.

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## GENERAL

1. US Embassy favors diplomatic relations with the Ukraine and Byelorussia-- US Ambassador Smith concurs in the UK's reasons for desiring to establish diplomatic relations with the Ukrainian Soviet Republic (see Daily Summary of 19 June, item 2) and strongly recommends that the US establish such relations with both the Ukrainian and Byelorussian Republics. Smith considers the widest possible extension of US sources of information and contact through the USSR as of the "utmost importance."
2. UK and Australian views on US wool bill-- US Deputy Delegate Wilcox to the International Trade Organization (ITO) in Geneva quotes the Australian delegate to the ITO as saying that, if the wool bill recently passed by Congress becomes law, the Australian delegation will move for an adjournment of the Geneva Conference of ITO in order to "review" Australian policy. Furthermore, Wilcox has been informed by the UK delegate that the UK Government believes that the enactment of the wool bill into law would endanger not only the tariff negotiations but the adoption of an ITO Charter.

## EUROPE

3. YUGOSLAVIA: Possible reorientation of Yugoslav foreign policy-- US Charge Cabot, during a recent conversation with prominent Yugoslav Foreign Office officials, received the distinct impression that they were troubled by the course of events in Greece and Hungary and realized that they were caught in an increasingly embarrassing and dangerous situation. Cabot believes that the local atmosphere has now improved sufficiently (see Daily Summary of 4 June, item 5) to permit frank talks with Yugoslav officials that might determine lines of Yugoslav thinking and convince the Yugoslavs of the unwisdom of "keeping all their diplomatic eggs in the Soviet basket." Although Cabot believes there is no reason for optimism, he adds that such conversations might conceivably produce a face-saving formula which would permit the Yugoslavs to stop intervention in Greece and to help with the Hungarian situation.
4. CZECHOSLOVAKIA: Economic and political scene relatively stable-- US Ambassador Steinhardt reports that: (a) there is an adequate supply of food in Czechoslovakia; (b) the increasing tendency of the Social Democrats

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to side with the moderate parties continues to weaken the Communists' influence; (c) improvement in general economic conditions continues, although at a slower rate because of difficulties encountered by the nationalized industries; and (d) privately owned industries are making substantial progress. Steinhardt adds that the Communists would welcome US credits to meet expected deficits in the nationalized industries and that Czechoslovakia is in no immediate need of substantial foreign aid. He therefore suggests the advisability of encouraging US credits to Czechoslovak private industry, and delaying or minimizing for the present any direct credits to the Czechoslovak Government.

5. **RUMANIA: US to protest treatment of Opposition**--The State Department has instructed the US Political Representative in Bucharest to inform the Rumanian Government that the US is "seriously concerned" by the drastic deprivation of civil liberties to which the Rumanian people are being subjected. The note adds that the arbitrary arrest of hundreds of Opposition members is in conflict with Article 3 of the Peace Treaty and contravenes formal and informal assurances given to the US by the Rumanian Government. (The UK intends to approach the Rumanian Government along similar lines.)
  
6. **BULGARIA: Heavy registration for US visas**--The US Mission Sofia estimates that more than 6,000 persons lined up outside the Mission on 18 and 19 June to register for US visas in spite of repeated statements that the Bulgarian quota is only 100. The US Acting Representative comments that this heavy registration (an estimated total of 12,000 names were registered) is all the more remarkable as it is widely-believed that the mere act of coming to the Mission would be regarded by the Fatherland Front as a sign of disloyalty to Bulgaria and would be followed by reprisals.
  
7. **GERMANY: Evidence of labor conscription in Soviet Zone**--Headquarters European Command Frankfurt reports that: (a) German males between the ages of 18 and 45 are being given physical examinations in the Soviet Zone; (b) some of these men are being selected for pitchblend mining operations in the area of Aue Oberschlema (Saxony); and (c) a wave of illegal border crossings into the US Zone apparently has accompanied this Soviet program of conscription.

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8. ITALY: Dunn urges equipment of Army and Air Force--US Ambassador Dunn believes that the prospective withdrawal of Allied troops upon ratification of the Peace Treaty makes it a matter of immediate urgency to equip the Italian Army and Air Force by transferring to them the US combat materiel now in the theater. Dunn urges immediate action in the matter on the grounds that the present Italian military forces are inadequate to maintain even a token protection of the Italo-Yugoslav frontier. He suggests, as an "unobtrusive" way to convey such equipment, that combat materiel be included in a general surplus settlement.

## FAR EAST

9. CHINA: Nationalist withdrawal to Mukden held necessary--US Embassy Nanking believes that, while complete Nationalist withdrawal from Manchuria would be premature and highly undesirable under present circumstances, the withdrawal of Nationalist forces within central Manchuria for regrouping in the Mukden area seems mandatory. The fundamental weakness in the present Nationalist position, in the Embassy's opinion, stems from over-extended initial deployment and incompetency in the Nationalist High Command, centered in General Tu Li-ming. The Embassy believes that General Tu would have to be removed from command in order for the Central Government to carry out partial withdrawal effectively and to maintain, even temporarily, a strong salient in southern Manchuria.
10. JAPAN: Philippine concern with reparations delays--The Chief of the US Reparations and Restitution Delegation in Japan reports that the Chief of the Philippines Reparations Delegation has been recalled to Manila for consultation, because of mounting concern in the Philippines over continued delay in the execution of the advance reparations transfer program. This delay is holding up economic reconstruction in the Philippines, because the Philippine Government fears political attack at home if it purchases equipment from the US which might later become available as reparations from Japan. (The Chief of the US Delegation has indicated that it will require at least three months to review the present unsatisfactory selections of equipment for advance transfer.)

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11. **NEI: Sjahrir conciliatory but Republic intransigent--US Consul General Foote reports that Premier Sjahrir's conciliatory broadcast of 19 June represented a personal statement and was not prepared in consultation with the other members of the Indonesian Republic Government. On the basis of talks with Sjahrir, Foote is convinced that the Republic has no real intention of modifying its position.**

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GENERAL

1. Ambassador Smith foresees Soviet obstruction at Paris conversations--US Ambassador Smith in Moscow feels certain that Molotov's participation in the forthcoming Paris conversations will be for destructive rather than constructive purposes. The Ambassador adds that his British and French colleagues are of the same opinion, and he points out that any real European economic recovery would militate against the realization of present Soviet political objectives.
  
2. Dutch-Soviet air agreement--US Embassy London reports that the Dutch Civil Air Attache in London: (a) following talks with UK officials, has informed his Government of his opposition to a formal government-level agreement with the USSR for an air traffic exchange at Berlin in lieu of a direct Amsterdam-Moscow service; but (b) believes that the Dutch Government is now "virtually committed to the arrangement." The Embassy adds that, if the US agrees with the UK that the exchange agreement is "both foolish and dangerous," the US should take strong and immediate action with the Dutch Government. (This latest information reverses earlier indications that the recent Dutch-Soviet negotiations in Moscow were inconclusive; see Weekly Summary of 20 June, page 1.)
  
3. Ibn Saud emphasizes concern over Middle East situation--US Minister Childs reports that, in a series of audiences with Ibn Saud, the King stressed the gravity of the situation in the Middle East. The King expressed particular concern over the activities of Iraq and Transjordan in connection with "Greater Syria," which, he considers, are directed entirely against himself and the result of British jealousy over the favorable economic position of the US in Saudi Arabia. Ibn Saud urged that the US approach the UK for an agreement, to which the Arab States could adhere, on the key issues in the Middle East, including not only the Greater Syria question but also the problems of Palestine and Anglo-Egyptian relations (see Daily Summary of 18 June, item 3).



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EUROPE

4. UK: Government's views on strategic situation--US Embassy officials have told the US Naval Attaches' Conference (in London) that the UK believes that any future war will start in or about Germany, and that the Middle East is low on the Soviet priority list at the present time.

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5. NETHERLANDS: Foreign Office hopeful of NEI settlement--US Embassy  
The Hague reports that recent negotiations between the Dutch and the Indonesian Republic have now encouraged the Netherlands Foreign Office to believe that a "basis for understanding with the Republic could be reached shortly."

FAR EAST

6. CHINA: High officials increasingly critical of Chiang Kai-shek--US Embassy Nanking reports that the Governor of the Bank of China, in a conversation with an Embassy official, for the first time was openly critical of the Generalissimo. The Embassy adds that this type of critical comment -- which has sprung up among high Chinese officials in the past few weeks -- is "a noteworthy development, but it has not reached proportions indicative of a decided decline in the Generalissimo's authority."

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## GENERAL

1. US will not offer good offices in NEI dispute--The State Department has informed UK Embassy Washington that the US is not prepared to join the UK in an offer of good offices in the current Dutch-Indonesian negotiations (as requested by the UK; see Daily Summary of 17 June, item 1). The US aide-memoire points out that US representatives in The Hague and in the NEI have been instructed to make representations to both sides (see Daily Summary of 18 June, item 4), and the US hopes that these representations will bring both sides together to seek a solution.

## EUROPE

2. FRANCE: Communists may block action on Marshall proposal--US Embassy Paris reports that the French Communists continue to make it clear that: (a) they regard the Secretary's Harvard proposal as a "tactical application of the Truman Doctrine"; and (b) they intend to intensify their efforts to re-enter the French Government in order to exercise a more direct influence over internal as well as foreign policies. The Embassy adds that, according to qualified observers, Molotov and the French Communists will try to obstruct UK-French attempts to produce a practicable plan in response to the Secretary's proposal.

## FAR EAST

3. AUSTRALIA: Evatt plans unofficial visit to Japan--Minister for External Affairs Evatt has told US Ambassador Butler he plans to leave on 5 July for a personal visit to General MacArthur in order to observe conditions in Japan and discuss problems unofficially. Evatt added that he thinks the US Government is taking an unreasonable position in discouraging his visit to Japan (see Daily Summary of 11 June, item 6). Butler notes that the Australian press has played up Evatt's intended visit so much that he could hardly afford to cancel it.

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## THE AMERICAS

4. **PARAGUAY: Rebel mediation terms revealed--The Brazilian emissary, Negrao de Lima, (who is attempting to bring about a negotiated peace in Paraguay's civil war) has told US Charge Asuncion that the rebels whom he recently consulted remain convinced they can win after a prolonged struggle. According to Negrao, the rebels will agree to the termination of hostilities and to President Morinigo's continuation in office until his present term expires, provided they receive guarantees of free elections and a reorganization of the armed forces.**
  
5. **VENEZUELA: Government aware of revolutionary plan--US Military Attache Caracas reports that the Minister of Defense and the Assistant Chief of Staff are aware of a new revolutionary plot against the Betancourt Government but seem "unworried and confident."**  
(CIG Comment: Available evidence suggests that the Betancourt Government has the situation well in hand, and can speedily put down any revolutionary attempt.)

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EUROPE

1. FRANCE: Blum not optimistic over Cabinet's survival--Leon Blum has told US Ambassador Caffery confidentially that Socialist delegates raised the question of France's economic policy in the Assembly on 25 June because certain Socialists wished to force Ramadier's resignation. Blum is not at all certain that the Socialist National Council, which meets on 1 July, will approve continued Socialist direction of the present Government, particularly in view of the "heavy responsibilities" which the Government must sustain now that it has abandoned the Blum wage and price policy. Blum considers that a "Bidault or Tietgen government" is possible.

Communists expect breakup of Ramadier Government--Caffery has been told by a "fellow-traveller source," utilized by Bidault as an intermediary between himself and the French Communist leaders, that the Communists expect the Ramadier Government to "break up within the next few days." The source also said that: (a) the Communist leaders have told Bidault that he would be acceptable to them as Foreign Minister, but if MRP does not participate in the Government Pierre Cot would be their candidate; (b) the Communists are "delighted over the prospect of exercising a governmental voice at the time when the Secretary's Harvard proposal will be discussed" by the USSR, France, and the UK; and (c) the Communists now believe that the USSR hopes to obtain a compromise solution on German reparations, while urging that a plan, corresponding to the Secretary's proposal, be prepared and executed within the United Nations framework.

UK Foreign Office comment on French situation--The UK Foreign Office has observed to US Embassy London that: (a) as the Ramadier Government has lost its economic program, it is difficult to see how it can last; and (b) unless something changes the existing French mental attitude, the French situation will continue to deteriorate. The official added that the UK Foreign Office disagrees emphatically with the opinion of UK Ambassador Duff-Cooper in Paris that: (a) the current French strikes are spontaneous and not Communist-instigated; and (b) a Communist government in France would not be disadvantageous to France or the UK, because it would not have sufficient strength to be a threat and would need outside help.

2. USSR: Beria reported in Berlin--According to a reliable CIG source, L.P. Beria was in Berlin on 23 June.

(CIG Comment: Beria, a member of the Politburo and one of the three or four key figures in the Soviet hierarchy, was until last year chief

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of the NKVD (now MVD). It is believed that he still retains control of this and other Soviet security agencies. This is his second visit to Berlin in the past six months.)

#### NEAR EAST-AFRICA

3. **TURKEY:** Concern over Turkish minorities in western Thrace--Foreign Minister Saka has informed US Ambassador Wilson of the Turkish Government's concern over persecution by the guerrillas of the 70,000-80,000 Turks living in Greek Thrace. According to Saka, the Turkish Government is considering the possibility of requesting the United Nations to take steps to protect the Turkish minorities and would like the views of the US and the UK on this matter. Saka added that the Turkish Government would not appeal to the UN without first consulting the Greek Government, as the Turks desire to do nothing which would embarrass the Greeks.

#### FAR EAST

4. **CHINA:** New protest to the USSR on Dairen--US Embassy Nanking reports that on 25 June the Central Government sent a note to the USSR referring in detail to the means by which the "Kwantung Administration" and Soviet military authorities prevented the Chinese Inspection Mission from carrying out its examination of the Dairen-Port Arthur area. The note declared that this obstruction has "further justified the decision of the Chinese Government to dispatch adequate military and police forces to the naval base area of Port Arthur and to Dairen, in order to insure the free exercise of its functions by the Chinese administration when it is re-established therein." The note concluded with a formal request for a favorable Soviet reply to the original Chinese aide-memoire concerning China's assumption of administration in the area.

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## GENERAL

1. US position on SC's discussion of Greek case--The State Department has informed US Delegate Austin that, in the forthcoming discussion of the Greek case before the Security Council, the US should not accept any resolution which places any blame upon Greece for the armed interference by other countries in Greece's internal affairs, though no attempt should be made to justify all acts of the Greek Government. In keeping with the report of the Balkan Investigation Commission, the Department considers that Yugoslavia and, to a lesser extent, Bulgaria and Albania are guilty of armed intervention in Greece.

Regarding the terms of reference of a continuing Balkan Commission, the Department states that the US should refuse to agree to amendments which would permit such a Commission to concern itself in Greek internal affairs or in the work of the American Mission for Aid to Greece. The Department adds that a Soviet veto of a resolution providing for the establishment of a continuing Commission would be preferable to US acceptance of compromises which would impair the effectiveness of such a Commission. The Department authorizes Austin to support the recommendations of the Balkan Investigation Commission (see Daily Summary of 10 June, item 1).

2. Bevin's views on development of European aid program--Bevin has informed US Embassy London that he wishes a small representative body of perhaps five Western European countries to prepare by early August a program on European reconstruction. Bevin hopes that Italy, by expediting ratification of the peace treaty, can be represented.

## EUROPE

3. FRANCE: Cabinet crisis postponed--US Ambassador Caffery reports that the impending Cabinet crisis (see Daily Summary of 26 June, item 1) has been postponed in view of the desire of all political parties to avoid the collapse of the Government during the conferences in Paris between Foreign Ministers Bevin, Bidault, and Molotov. Caffery adds that Ramadier will ask for a vote of confidence on 2 July and that there is increased hope that the Government will survive.

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4. **AUSTRIA: US prestige enhanced**--US Legation Vienna reports that the US decision to pay occupation costs beginning 1 July has significantly enhanced US prestige in Austria. In the Legation's opinion this action, coupled with other recent US decisions in regard to Austria, "has not only greatly strengthened public morale but also the position of the present Government."

## FAR EAST

5. **CHINA: South China reportedly declares independence**--The Director of Chinese Military Intelligence has informed US Embassy Nanking that Chen Chi-tang, former military governor of Kwangtung Province, has declared the independence of Kwangtung and neighboring Kwangsi Province. The new Government is reportedly headed by General Li Chi-shen, with Chen as military commander. Li is still reported to be in Hong Kong, where a "military committee" containing at least two Chinese Communist members has been established.

(CIG Comment: South China has for many years been the scene of separatist movements, which tend to rise and fall with the authority of the Central Government, and that authority is now significantly weak. Moreover, the vulnerability of South China to separatist movements has been increased in recent months by the withdrawal of Nationalist troops for assignment to North China. General Li, an old Kuomintang revolutionary who has frequently denounced the KMT and the Central Government, has been in Hong Kong for several months, reportedly organizing a separatist movement for South China and seeking UK support.)

6. **KOREA: Korean parties apply for consultation with Joint Commission**--General Hodge reports that at the close of registration on 23 June, three political parties and 35 social organizations in North Korea, with a combined declared membership of about 13 million, filed applications for consultation with the Joint Commission. In South Korea, 425 political parties with a combined declared membership of 62 million have applied for consultation. Hodge points out that the population of all Korea is only 30 million. A tentative estimate for all Korea indicates that such membership is roughly 55% Rightist and 45% Leftist. This slight advantage of the Rightists is more apparent than real because the Right is seriously divided, whereas the Left constitutes a well-integrated bloc.

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**THE AMERICAS**

7. **NICARAGUA: Continuation of Military Mission**--According to US Embassy Managua, the US Military Mission in Nicaragua favors its continuation there despite the expiration of its contract. The Embassy comments that a temporary withdrawal of the mission would weaken Somoza's prestige and perhaps "turn the scales in favor of his retirement."

(CIG Comment: While it is improbable that withdrawal of the mission would turn the scales against Somoza, it would certainly be welcomed by opponents of his regime as a logical sequel to the American Republics' non-recognition policy.)

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## GENERAL

1. US opposed to Dutch-Soviet Air agreement--The State Department has requested US Embassy The Hague to inform the Netherlands Government that the US is surprised and concerned by the Dutch intention to conclude a civil air agreement with the USSR (providing for air traffic exchange at Berlin in lieu of direct Amsterdam-Moscow service; see Daily Summary of 24 June, item 2). The Embassy is to say that the US considers that the USSR would profit by such an arrangement, while the Netherlands would derive no substantial advantage. The Department also has requested Embassy London to ascertain whether the UK would be willing to join the US in blocking Dutch flights to Berlin, if such action appears necessary to head off the Dutch-Soviet agreement.

## EUROPE

2. FRANCE: Informal approach on reconstruction urged--Ambassador Caffery, acknowledging that it is "probably for the best" that the UK has taken the lead in working out a European reconstruction program, nevertheless recommends that the US use extreme care to treat the French "as being in a position parallel to that of the British." It would be helpful, he believes, if the US undertook early informal exploratory talks with outstanding individual French statesmen, and it would be "particularly desirable" not to channelize all communications on this subject through the Foreign Office (whose economic leadership Caffery considers uninspiring).
3. HUNGARY: Nagy reported to have lost his following--According to US Embassy London, the Hungarian Ambassador in London and the UK Foreign Office believe that Nagy has lost most of his following in Hungary and is a discredited man, because he "left his Party at the mercy of the Communists, and preferred the safety of a foreign refuge."
4. RUMANIA: Drastic effort to curb inflation expected--US Representative Melbourne reports that, according to responsible sources, the Rumanian Government in the near future will make sudden and drastic efforts to stem the currency inflation. Melbourne adds that while currency stabilization is essential for any improvement of the economic situation, such efforts would unquestionably form a part of the greatly intensified Communist drive to obtain complete control of the Rumanian economy.

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5. **NEI: Dutch plans regarding military action**--According to information supplied US Embassy London by the UK Foreign Office, Lieutenant-Governor General Van Mook told UK Consul General Mitcheson on 25 June that he believed Premier Sjahrir would be unable to bring back a satisfactory Republican reply to the Dutch aide memoire of 23 June. Van Mook said that in such event he had been authorized by the Netherlands Government to take military action and he implied that he was ready to do so immediately. The UK Consul General has recommended that the UK request the Dutch Government to withdraw such authorization to Van Mook. The UK Foreign Office, however, is awaiting information on the Indonesian reply before taking any action.
6. **CHINA: Diplomatic offensive to gain US support**--US Ambassador Stuart points to recent statements by leading Chinese officials and the Government-controlled press: (a) charging Soviet assistance to the Chinese Communists; (b) accusing the USSR of beginning the third World War in China; and (c) predicting China's political disintegration. Stuart concludes that key Government officials are carrying out a diplomatic offensive to encourage the US to take a firm stand against Soviet political expansion in China, similar to that the US has taken in Europe and the Middle East. It is a regrettable fact, Stuart adds, that this is "the only discernible current action being undertaken in the face of a prevalent and increasing atmosphere of defeatism."
- (CIG Comment: The concept of challenging Communist ideologies and programs by an aggressive reform in Nationalist China has been given little recognition by Chiang Kai-shek or his more responsible advisers. They still tend to rely on the policy of suppression by force, partly because of an almost pathological fear of the Communist threat and partly because they feel reasonably certain that US support will be forthcoming.)

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## GENERAL

1. US to call conference on European coal production--Secretary Marshall is requesting UK Prime Minister Attlee to send top-level representatives to Washington to confer on the currently unsatisfactory European coal production, with particular reference to the Ruhr. General Clay will also be asked to participate in the conference.
2. TARS use of Italian airfield--Acting US Representative Melbourne in Bucharest suggests that the State Department consider representations to the Italian Government with regard to the reported use of an Italian airfield by the Soviet-controlled Rumanian airline TARS on a recent flight to Paris. TARS had originally requested permission to overfly US Zone Austria but chose the alternate Italian route without waiting for US permission. Melbourne fears that if there are no repercussions the satellites will continue this practice.  
(CIG Comment: Rumania may have obtained authorization for such through flights under a reported provisional air agreement with Italy. The Czechs and Swedes have also been using Italian airfields for circuitous international flights to Cairo.)
3. US urges Italian participation in economic talks--The Department of State has instructed US Ambassador Douglas to inform the UK Foreign Office that Italy should be brought into the discussions of European aid at the earliest possible moment. The Department does not agree with the UK that Italian ratification of the Treaty should be a prerequisite to participation in these discussions.

## EUROPE

4. USSR: Soviet plans for exploiting US aid program--Commanding General US Forces Austria has learned from a Soviet Major, formerly a trusted Communist Party member, that certain Communists among the Soviet Forces in Austria recently have been directed by the Party Central Committee in Moscow to make a study of "US aid, its effects, and how it can be made to serve Soviet aims." The Moscow directive reportedly suggests that the US aid program should be encouraged for the purposes of "exploiting and/or eliminating vital materials in America" and of creating inflation in the US. The achievement of either objective would, according to the

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directive, "be in line with the necessity to destroy our greatest enemy -- the US economy and its capabilities."

(CIG Comment: In view of the initial enthusiasm with which the Marshall proposals have been greeted throughout Europe, the USSR may well conclude that implementation of the proposals is inevitable and that open opposition would be futile. The Kremlin may therefore seek a substantial share of US assistance for the Soviet satellites, and perhaps even for the USSR itself; and it may encourage increased US assistance in the hope of depleting US resources and inflating the US economy.)

### FAR EAST

5. CHINA: Charges of Soviet assistance to Communists--US Consul General Shanghai reports that Shanghai Mayor K.C. Wu has told visiting US publishers that China now has conclusive proof that Chinese Communists are using several divisions of Korean troops trained in North Korea and six divisions of Chinese trained in the USSR.

A high Chinese Foreign Office official, in response to inquiries by Embassy Nanking, has declared that he expects to complete within a few days his investigation of the "evidence" regarding direct Soviet aid to the Chinese Communists. The official expressed the personal opinion that certain recent statements by Chinese leaders were ill-advised and he indicated that much of the "evidence" is bogus.

South China independence report denied--US Consul General Canton reports that Chiang Kai-shek's local headquarters and other Chinese officials in the Canton area deny any knowledge of the reported declaration of Kwangtung-Kwangsi independence (see Daily Summary of 27 June, item 5).

6. KOREA: USSR moves to exclude Rightist parties from consultation--According to US Political Adviser Jacobs, the USSR has announced that it will insist on excluding from consultation, in the formation of a provisional government, all parties opposing trusteeship. The USSR has specifically named eight parties (with a declared membership of 3,000,000) which should be excluded and has stated that all other organizations unwilling to withdraw from the anti-trusteeship committee formed last January also should be barred. Jacobs believes that if the USSR maintains this position most participating Rightists will probably be forced to withdraw, leaving only Leftists to be consulted. Jacobs foresees the possibility of a deadlock over this question.

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(CIG Comment: This new Soviet move is probably designed to improve the USSR's bargaining position, not to halt the progress of the negotiations. It is, therefore, doubtful that the Soviet delegation will prove intransigent on this particular point.)

Agreement on payment for electric power--General MacArthur reports that the US and Soviet Commanders in Korea have finally reached agreement on the method of payment for electric power supplied by North Korea to South Korea from August 1945 until May 1947. Payment will be in the form of equipment and materials to the value of approximately 16 million yen (roughly 4 million dollars at the 1941 rate of exchange which is stipulated in the agreement). North Korea, moreover, will continue to supply electric power to the US Zone and will henceforth present bills monthly.

(CIG Comment: The present agreement represents a notable concession on the part of the USSR. The original North Korean demand for payment, addressed to the US Command on 27 March in the form of an ultimatum, stipulated that the US deal directly with the North Korean People's Committee and pay a considerably greater rate.)

### THE AMERICAS

7. PARAGUAY: Mediation efforts fail--US Charge Trueblood reports that the Brazilian mediator, Negrao de Lima, now considers that he has failed in his attempt to bring about a negotiated peace in Paraguay's civil war and attributes his failure to the uncompromising attitude adopted by an extremist wing of the major Party supporting the Government (the Colorado Party).
8. URUGUAY: Views re proposed inter-American defense treaty--The Uruguayan Foreign Minister has informed US Charge Sparks that representatives of the American Republics plan to exchange views on the proposed inter-American defense treaty in Washington. He added that Uruguay will insist on an agreement at least as strong as that decided upon at the Chapultepec Conference.

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