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524

EUROPE

1. BULGARIA: Prompt action on all Treaty violations recommended--
Donald Heath, US Minister Designate to Bulgaria, believes that the US should promptly protest all Bulgarian violations of the Peace Treaty rather than follow the policy favored by the British Foreign Office of concentrating on selected major issues. Heath believes that constant protests would have "some retarding influence" on the Communists and would form the basis for possible presentation to the UN.
2. ITALY: De Gasperi's difficulties in obtaining left-wing support--
Premier De Gasperi has indicated to US Ambassador Dunn that he continues to encounter difficulties in recruiting working class representation for his government because the non-Communist Left is hesitant to place itself in definite opposition to the Communists. De Gasperi added that his only remaining hope lies in moderate Socialist Lombardo, who might lead a group of left-wing Socialists into the Government.

NEAR EAST-AFRICA

3. SAUDI ARABIA: King appeals for US reversal on Palestine--
US Charge Bailey at Jidda has forwarded a message addressed by King Ibn Saud to President Truman containing an appeal for reversal of the US decision to support the establishment of a Jewish state in Palestine. King Ibn Saud calls this US decision unfriendly to the Arabs and adds that, if it is maintained, it will bring about a "death-blow" to US interests in the Arab countries.

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 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763
 Date: 10 APR 1978 By: 073

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15

~~CONFIDENTIAL~~

525

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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 DDA Memo, 4 Apr 77
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3

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GENERAL

1. UK to return battleship to Italy--Bevin has told US Ambassador Douglas in London that he has agreed to turn back to the Italian Government, subject to "austere conditions," the Italian battleship now in British possession (see Daily Summary of 31 October, item 1).

(CIA Comment: Among the conditions required, Bevin probably has included the immediate scrapping of the battleship.)

2. US delegation to oppose anti-Franco measures in UN Assembly--Acting Secretary of State Lovett has instructed US delegates to the UN, because of "the steady deterioration in the current situation," to minimize any discussion of the Spanish question in the present session of the General Assembly and to oppose any further anti-Franco resolutions.
3. Break with Chile "stuns" Czechoslovak Communist leaders--US Ambassador Steinhardt in Prague reports that Communist leaders are stunned by Chile's break with Czechoslovakia and are concerned over the economic consequences to Czechoslovakia if Brazil and Argentina should follow suit. Steinhardt adds that, for the first time in many months, Communist Cabinet members are on the defensive. Steinhardt believes that a break in diplomatic relations between either Brazil or Argentina and Czechoslovakia would probably do more than any other single measure to strengthen the hands of anti-Communist leaders in Czechoslovakia.

EUROPE

4. BELGIUM: Wheat shipments from US not to be increased--The Department of State has advised US Ambassador Kirk in Brussels that: (a) October wheat shipments for Belgium have sailed, or will sail, in the near future; (b) the US cannot comply with Premier Spaak's request for an increased allotment (see Daily Summary of 31 October, item 4); (c) every effort will be made to speed up November shipments; and (d) the Department realizes the serious political

- 2 -

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implications of a bread crisis such as Spaak fears but the "fact remains that there is simply not enough grain to go around." The Department also points out that the US must take note of the International Emergency Food Council's recommendations that Belgium should reduce its bread ration. (The Belgian ration is now 300 grams per day; the French ration is 200 grams.)

NEAR EAST-AFRICA

5. INDIA: General situation deteriorating--US Embassy New Delhi reports that developments in Kashmir (see Weekly Summary of 31 October, page 5) are assuming increasingly serious proportions. The Embassy states that: (a) the severe drain on the Dominion of India's military forces (through the dispatch of Indian troops to Kashmir) will affect prospects for the restoration of law and order in other parts of northern India; and (b) "the tribesmen and others invading Kashmir can presumably carry on guerrilla warfare indefinitely." [redacted] commenting on the general Indian situation, reports that declared war between India and Pakistan appears unavoidable unless the two dominions reverse their present tendencies and "adopt a conciliatory, statesmanlike attitude" toward current problems.

3.3(h)(2)

FAR EAST

6. INDONESIA: Reaction to Committee for Good Offices--US Representative Graham of the Committee for Good Offices reports that the Republican delegation and Cabinet at Jogjakarta were obviously disappointed when it was made plain that the Committee's powers extend only to "good offices" and not to arbitration. Graham adds, however, that the Indonesians appeared "reasonably content" when they were told how far the Committee could go in proposing a settlement, if it was requested to do so by both sides.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

526

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

Document No. 030
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 DDA Memo, 4 Apr 77
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 Date: 10/4/78 By: 023

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EUROPE

1. FRANCE: Bidault gloomy, Ramadier optimistic on Cabinet survival--
US Ambassador Caffery has been told by Bidault that Ramadier's prestige is now so low that Ramadier will not last long after the re-convening of the Assembly. However, Ramadier has expressed to Caffery the opinion that the really critical phase of the struggle is over, and that he expects to remain at the head of the government for some time to come.

2. CZECHOSLOVAKIA: Views on Slovak political crisis--US Ambassador Steinhardt reports that the Communist-instigated resignation of the Slovak Board of Commissioners has created the most serious political crisis in Slovakia since the liberation. Steinhardt believes that, although the moderates in the Czechoslovak Government will oppose strong Communist demands for increased representation on the Slovak Board of Commissioners, some compromise will be found in order to avoid splitting the coalition government and forcing new elections.

3. BULGARIA: Soviet Army maneuvers reported ending-- [redacted] 3.3(h)(2)
[redacted] that Soviet Army maneuvers in Bulgaria can be expected to terminate within three weeks because of inclement weather. [redacted] that there have been no recent indications of Soviet troop movements into Bulgaria but cites constant rumors of some materiel build-up, including tanks, artillery, and ammunition. 3.3(h)(2)

(CIA Comment: No indication of Soviet withdrawals from Bulgaria has been received from any source to date. The terms of the Bulgarian peace treaty set the final date of withdrawal as 15 December 1947.)

NEAR EAST-AFRICA

4. PALESTINE: Arabs would not accept office in a partitioned Palestine--
US Consul General Jerusalem reports that: (a) he knows of no Arab who would accept office in a partitioned Palestine and thus risk

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assassination; and (b) the British are not likely to accept the request that they maintain order in Palestine during the trying period between now and July 1948. The Consul General believes that UN trusteeship for the Arab area should not be envisaged as a short-term arrangement and that careful consideration should be given to the policing of such a turbulent area.

FAR EAST

5. KOREA: Korean sentiment now favors troop withdrawals--General Hodge reports that Koreans are becoming "more and more impatient for some sort of settlement that will relieve Korea of the burden and stigma of occupation." Hodge comments that this attitude reverses an earlier trend favoring indefinite US occupation. He adds that further delay in taking positive action will result in "a strong upsurge of feeling against the US." He urgently recommends that the US proceed immediately with an election for a representative government even if it must be carried out for South Korea alone, with or without UN supervision.

(CIA Comment: Hodge's report indicates that the Soviet proposal has attained its objective of influencing South Koreans toward the acceptance of a self-appointed, "representative" government, the establishment of which would force mutual troop withdrawals and clear the field for eventual Communist control. CIA believes, however, that an UNGA decision will be reached soon enough to permit the announcement of an election date before any Soviet moves for a "coalition" government can gain momentum.)

~~CONFIDENTIAL~~

NOV 1947

~~CONFIDENTIAL~~

527

CRITICAL SITUATIONS

EUROPEAN RECOVERY

Premier Ramadier has again stressed to US Ambassador Caffery the extreme gravity of the French bread grain situation and the consequences of a further reduction in the bread ration (see item 4).

GREECE

No significant new development.

CHINA

No significant new development.

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NO CHANGE in Class.
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DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763
Date: 10 APR 1978 By: 023

- 1 -

~~CONFIDENTIAL~~

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GENERAL

1. Soviet representations to China on Japanese peace treaty--The Chinese Foreign Minister has told US Ambassador Stuart that the Soviet Government has not given the Chinese Government any formal reminder of the clause in the Sino-Soviet Treaty of 1945 which bars either Government from concluding a separate peace with Japan without consent of the other. (The Foreign Minister's statement contradicts information supplied earlier to Stuart by the Chinese G-2; see Daily Summary of 27 October, item 1.) The Foreign Minister added, however, that the point about the Sino-Soviet Treaty clause had been raised during his conversation with Vishinsky while in the US.

(CIA Comment: It still seems clear that the USSR, either by formal representation to the Chinese Government or through informal discussion with the Chinese Foreign Minister, has reminded the Chinese of their obligation under the Sino-Soviet Treaty.)

2. UK jet aircraft sale to USSR--The Department of State has instructed US Ambassador Douglas to point out again to Bevin, should the opportunity arise, the serious concern of the US over the UK agreement to sell the latest-type jet aircraft to the USSR. (According to a UK Foreign Office statement of 24 August, the UK plans to sell six latest-type jet aircraft to the USSR but does not intend to deliver them until late in 1948; see Daily Summary of 25 August, item 3.)
3. US advocates vigorous action against Bulgarian Treaty violations--The Department of State concurs with the recommendation of the US Minister Designate to Bulgaria (see Daily Summary of 1 November, item 1) that all violations of the Bulgarian peace treaty, particularly those affecting civil rights, should be vigorously combatted.

EUROPE

4. FRANCE: Immediate US grain shipment urged--Ramadier has again emphasized to US Ambassador Caffery the gravity of the French bread grain situation which will force a further reduction in the

- 2 -

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national bread ration about the middle of December. Caffery urges that supplementary shipments of "at least 200,000 tons" of grain be started immediately to provide sorely needed aid to the present French Government. Caffery notes that the reduction in bread rations on 1 September precipitated violent demonstrations and strikes throughout France, many of them Communist inspired. Caffery believes that a further reduction would deliver a "severe set-back" to the present conservative trend in France.

(CIA Comment: CIA concurs in this estimate of the desperate need of France for wheat and the obvious political repercussions which would result from the lack of it.)

De Gaulle does not desire office until next spring--Caffery has received confirmation from Palewski, De Gaulle's principal adviser, that General De Gaulle "does not desire to take office until next spring." According to Palewski, De Gaulle is working "actively and efficiently" to win the support of the non-Communist labor groups.

5. RUMANIA: Communist campaign against Tatarescu--US Minister Schoenfeld believes that the early removal of Foreign Minister Tatarescu may be indicated by strong Communist press attacks against Tatarescu for his alleged connection with Foreign Office leaks to the US-UK, as revealed by evidence in the Maniu trial. The US Military and Naval Attaches comment that these attacks foreshadow the dissolution of Tatarescu's Dissident Liberal Party.

Cabinet approves Michael's attendance at Elizabeth's wedding--Schoenfeld also reports that the Rumanian Cabinet has consented to King Michael's attendance at Princess Elizabeth's wedding. Schoenfeld has been told by his British colleague that the UK Foreign Office, although suspicious of the Communist-dominated Cabinet's motives, does not expect any action against Michael prior to the London CFM meeting. The Foreign Office, accordingly, recommends that Michael return to Bucharest before the CFM meets.

- 3 -

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(CIA Comment: CIA believes that the London CFM meeting will not affect the timing of Communist plans to eliminate the monarchy in Rumania. CIA continues to believe- see Weekly Summary of 24 October, page iii -that the Rumanian Government may take advantage of Michael's absence either to prevent his return or to arrange for Carol's return.)

6. POLAND: Escape coordinated with General Anders--According to US Political Adviser Murphy in Berlin, preliminary interrogation of Polish Peasant Party deputy leader Baginski reveals that his escape was "coordinated with" General Anders, formerly Commander of the UK Polish Corps and now connected with the emigre Polish Government in London. Baginski also disclosed that he and Mikolajczyk had 24 hours advance notice that the Government was going to take action against them.

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6 NOV 1947

528

~~CONFIDENTIAL~~**CRITICAL SITUATIONS****EUROPEAN RECOVERY**

Bevin has personally and informally suggested to Ambassador Douglas that an Export-Import Bank loan of \$700 million be made to the UK (see item 1).

GREECE

Establishment of a Popular Civil Guard and a Direction of Home Affairs by the "Democratic Army of Greece" indicates that the guerrillas believe that they will soon be strong enough to hold and administer large areas in northern Greece.

CHINA

The sixth Communist offensive in Manchuria has failed to dislodge the National Government from its main positions, but has caused severe damage to Nationalist military effectiveness in that area (see item 6).

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 10 APR 1978 By: 023

- 1 -

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

GENERAL

1. Bevin suggests US loan to protect UK gold reserve--Following "purely personal and informal" discussions, Bevin has transmitted to US Ambassador Douglas an unofficial memorandum on possible methods of reinforcing the UK dollar position until the European recovery program can become operative. The memorandum suggests that a loan of \$700 million be made by the Export-Import Bank against collateral now held for an RFC loan. Douglas feels that, despite several technical objectives, the suggestion has merit and should be explored, because it would obviate: (a) going to Congress for an interim appropriation for the UK; (b) the placing of further import restrictions; and (c) the necessity for any undesirable changes in UK foreign policy.

EUROPE

2. FRANCE: De Gaulle believed still opposed to German unity--US Ambassador Caffery, on the basis of conversations with persons "close to De Gaulle," reports that De Gaulle apparently still is adamantly opposed to any central government or political administration for Germany. Consequently, Caffery considers that the present French Government or a centrist coalition would be easier to deal with on German problems than would a Gaullist Government.

Government to continue reforms in North Africa--Caffery has been told by Secretary Chauvel of the French Foreign Office that the Ramadier Government is going ahead with its projected reforms in North Africa, despite the possibility that De Gaulle might return to power.

Communists advised to await De Gaulle's move-- [redacted] indications that the French Communists now consider that a Communist-directed general strike at this time is a "virtual impossibility" and that they should await further orders from Moscow. Party leader Duclos has emphasized that a general strike must be a prelude to a real uprising and has advised his followers to "wait for De Gaulle to make the first move."

3.3(h)(2)

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3. **AUSTRIA: Increase in food ration sought**--Commanding General US Forces Austria transmits an appeal from Chancellor Figl for US aid to increase the present Austrian food ration from 1550 to 1800 calories a day. The Commanding General comments that without this aid the Austrian Government faces a hazardous future. US Minister Erhardt in Vienna urges that this increase in Austrian food ration be considered.

(CIA Comment: CIA agrees that failure to increase the food ration will cause serious political repercussions; see Daily Summary of 10 October, item 3.)

4. **BULGARIA: Notable increase in war fears reported**--US Minister Designate Heath reports that during the past week there has been a "notable increase in war fears in Bulgaria." Heath adds that these fears result primarily from the intensified anti-US campaign in the Bulgarian press and from numerous reports and rumors of increased Bulgarian military activity, particularly along the Greek and Turkish borders. Although Heath considers overt military action by Bulgarian or Soviet forces unlikely, he believes that the reported military activities may foreshadow an increase in the "scope and effectiveness of their present clandestine aid."

(CIA Comment: CIA generally concurs with Heath's analysis. A more detailed review of these and related developments will appear in the Weekly Summary of 7 November.)

NEAR EAST-AFRICA

5. **PALESTINE: Arabs accuse US of proselytizing for partition**--According to US Embassy Baghdad, Azzam Pasha (director general of the Arab League) has been informed by the Saudi Arabian UN delegation that El Salvador, Chile, and "a third South American state had deserted the Arabs under US pressure." Azzam Pasha commented that while the Arabs understand the internal political considerations which determine US pro-Zionist policy, they believe that the US should "at least leave the small states alone to form their own opinions."

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Azzam Pasha also has expressed his fear to US Embassy Baghdad that the Arab states may not have sufficient votes to defeat the partition scheme in the UN. Azzam Pasha added that world Jewry is "successfully propagandizing the US people into thinking that the Arabs are bluffing about waging war against those powers desiring to implement the partition scheme."

Iraqi Prime Minister Saleh Jabr has expressed the opinion to US Embassy Baghdad that the Arabs will fight against implementation of partition although it is certain that, in the event of a conflict, an "international police force would easily win."

FAR EAST

- 6. CHINA: Communist offensive in Manchuria now terminating-- [redacted] 3.3(h)(2)
- [redacted] the sixth Communist offensive in Manchuria will end in mid-November. [redacted] this 3.3(h)(2)
- Communist offensive has succeeded in disrupting the south Manchurian economy and in inflicting heavy troop losses on the Nationalists, thus making it most difficult for the National Government to launch any offensive operations.

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529

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

The Greek Army is seeking mountain artillery pieces from the US (see item 5).

CHINA

No significant new development.

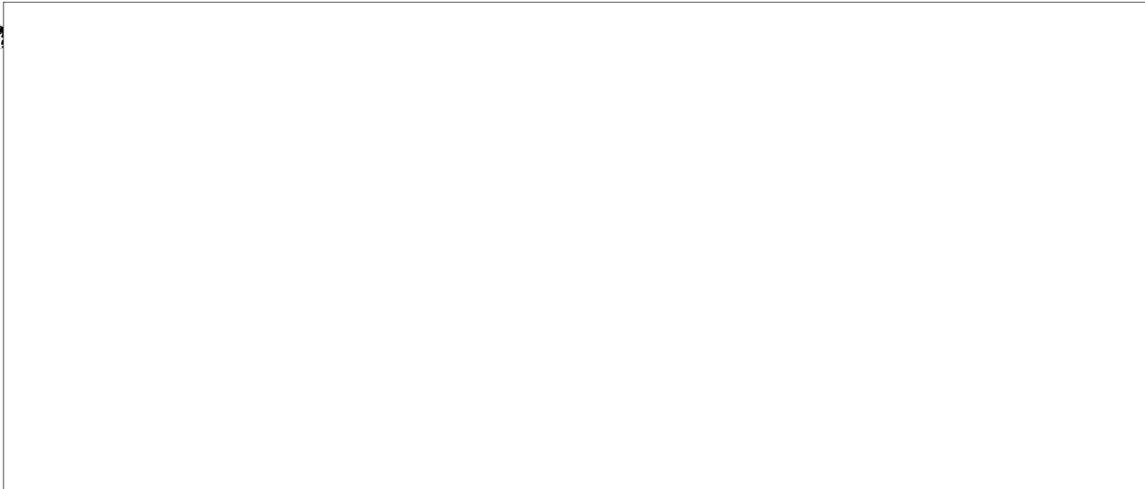
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 Date: 10 APR 1978 By: 073

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GENERAL

1. Possible Soviet proposal for withdrawal in Germany--US Embassy Moscow states its view that any Soviet proposal for the withdrawal of occupation troops from Germany must be met with a categorical rejection by the US because failure to do so would "undo the gains achieved" by the Marshall proposals and convince Europeans that the US is "reverting to its traditional isolationism." The Embassy comments that such a proposal might conceivably take the form of a general offer to withdraw all foreign troops stationed in territories which claim independence.



3.3(h)(2)

3. France will emphasize "security" issue at CFM--Chauvel, Secretary General of the Foreign Office, has told US Ambassador Caffery that, despite a French desire to reach agreement with the US on Germany, French delegates to the CFM "for internal political reasons" will have to emphasize France's determination not to sacrifice its "national security." Chauvel hopes that: (a) the US and the UK will make clear at the outset the problems which must be decided, so that the French people will place the blame for a conference breakdown upon Soviet delaying tactics; and (b) any French acquiescence to the US and UK positions will be presented to the French public in such a way as to minimize any apparent compromise of France's security requirements.

- 2 -

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EUROPE

4. FRANCE: De Gaulle believed cool toward North African autonomy--
US Ambassador Caffery believes, on the basis of statements made to him by Soustelle (former Minister of Colonies under De Gaulle), that should De Gaulle return to power, his colonial policy would be less progressive than that of the present Government. On the subject of autonomy for the native populations of North Africa, Soustelle showed "considerable reserve" and appeared to believe that such aspirations would disappear if the standard of living among the natives could be raised.

(CIA Comment: Such a reversal of French colonial policy would quicken the pace of the North African independence movement, inasmuch as all leading nationalist leaders consider the present, relatively enlightened policy much too vague and slow.)

5. GREECE: Mountain artillery urged for army--Foreign Minister Tsaldaris has reiterated to US Embassy Athens a request for mountain artillery for the Greek Army. The Embassy comments that the lack of such equipment has come to be the current excuse for the army's failure against the guerrillas and expresses the belief that a few guns, "perhaps enough to equip one battalion," should be made available.

(CIA Comment: Greek Army successes against the Italians in 1940-41 were due largely to the Army's efficient use of mountain artillery. Moreover, the guerrillas fear artillery more than any other weapon.)

THE AMERICAS

6. MEXICO: Removal of Soviet files suspected- [redacted] [redacted] that a Soviet ship left Mexico on 31 October with a cargo of heavy crates which he believes contained Soviet Embassy files.

3.3(h)(2)

(CIA Comment: Numerous reports have identified the Soviet Embassy in Mexico as an important center for the direction of Communist activity in the Western Hemisphere. It is possible, therefore, that the Embassy's files would contain information concerning the Communist movement that might be of value to the USSR but would be compromising if seized by the Mexican Government.)

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GENERAL

- 1. Slow progress in establishing Cominform in Belgrade--US Ambassador Cannon in Belgrade-reports that very slow progress is being made in establishing the Cominform headquarters in Belgrade. Yugoslav Deputy Foreign Minister Velebit has told Cannon that the first issue of the Cominform fortnightly bulletin will not be published before December.

EUROPE

- 2. GERMANY: Communists to center propaganda on dismantling problem-- Headquarters European Command Frankfurt reports that the Communists of western Germany have been instructed through the Socialist Unity Party (SED): (a) to channel Communist work through the trade unions; (b) to center propaganda on the dismantling problem; and (c) to demand strikes and create unrest in order to embarrass the Western Powers at the London Conference.

(CIA Comment: The USSR is clearly seeking to capitalize on the universal German public opposition to dismantlings in order to further its own efforts to obtain reparations in the form of current production rather than dismantled plants.)

- 3. FRANCE: Gaullists claim succession to Ramadier--US Ambassador Caffery reports that Soustelle, Secretary General of De Gaulle's Rally of the French People (RPF), has told Paul Reynaud that the RPF is reconciled to a Ramadier Government for the present but "would fight any other government formed henceforward." Caffery says Reynaud views this as an ultimatum to himself or any successor to Ramadier other than De Gaulle.

FAR EAST

- 4. CHINA: Reported anti-US shift in China's foreign policy-- [redacted]

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[redacted] the Chinese Nationalist Chief of Staff on 27 September

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 Auth: DDA REG. 77/1763
 Date: 10 APR 1978 By: 023

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directed the Chinese Mission in Tokyo to change its objectives to accord with a Nationalist change of policy "to the effect that the Chinese Government no longer collaborates with the US Government in China." Source stated further that the Chinese Mission in Tokyo would direct its "lesser chains of agents": (a) to criticize US proposals regarding the Japanese peace treaty; and (b) to suggest that US activity in the Far East is designed to reduce Japan to a "workshop" and will make the Far East the battleground of a new war.

(CIA Comment: It appears unlikely that China will pursue an unreserved anti-US policy in advance of a firm US decision on aid to China. Nevertheless, the Chinese will probably continue to attack US aims in Japan in an effort: (a) to exert pressure upon the US to expedite aid; and (b) to strengthen China's "bargaining power" in any Japanese peace negotiations.)

- 2 -

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

531

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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DDA Memo, 4 Apr 77

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Date: 10 APR 1978 By: 078

- 1 -

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GENERAL

1. Bevin sets new policy restricting sale of jets--Bevin has told US Ambassador Douglas that the UK will make no further sales of jet aircraft or jet engines to any country unless there is "complete reciprocity," a condition which will prevent further sales to the USSR.

Bevin also declared that: (a) the UK will probably have to honor the contract calling for the delivery to the USSR of six jet aircraft and 55 jet motors late in 1948, but he will delay shipment as long as possible (see Daily Summary of 5 November, item 2); (b) the UK will issue no visas to Soviet citizens for the purpose of visiting UK aircraft plants; and (c) he will authorize no additional jet sales to anyone, including Argentina, until he has discussed the matter with Secretary Marshall in London.

Bevin also told Douglas that this contract with the USSR was made "without his full knowledge." Douglas comments that Bevin is embarrassed and disturbed by it.

2. Possible reversal in UK attitude toward Trieste--According to US Ambassador Cannon in Belgrade and US Political Adviser Joyce in Trieste, several British officials in Belgrade and Trieste now believe that the present settlement in the Free Territory of Trieste (FTT) is unworkable and therefore recommend that the southern zone of the Territory be awarded to Yugoslavia and the northern zone (now occupied by Allied Military Government) be given to Italy. Cannon has been told by a British Embassy official in Belgrade that such a solution is in accord with present British Foreign Office thinking.

Both Cannon and Joyce believe that US withdrawal from FTT would not only result in the loss of Trieste but would provide "incalculable encouragement to Soviet purposes" in the troubled regions of the world. Cannon urges that the Department have a full exchange of views before the British Foreign Office plan crystallizes.

- 2 -
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EUROPE

3. **RUMANIA: Implications of cabinet changes**--According to US Minister Schoenfeld, the Rumanian Government, by appointing Ana Pauker and Vasile Luca as replacements for Tatarescu and Alexandrini as Ministers of Foreign Affairs and Finance, must now be considered "purely Communist." Schoenfeld points out that the Communists now hold the six most important cabinet posts, the remaining being awarded to parties completely under Communist control.

King Michael's private secretary has commented to Schoenfeld that "the crisis has come upon Queen Helen and Michael faster than they had anticipated" and that he feared "they were nearing their end." A UK Foreign Office official has observed to US Ambassador Douglas in London that Michael will probably be eliminated in the near future, if he returns to Bucharest following Princess Elizabeth's wedding.

4. **AUSTRIA: Increased food rations authorized**--The US Department of State has advised US Commissioner Keyes and US Minister Erhardt in Austria that they should inform the Austrian Government to proceed with an increase in food rations if these two officials agree that the future of the Government demands such an increase. The Department recommends, however, that the increase be kept to a minimum, as no assurance can be given of additional US funds until after Congressional action has been taken.
5. **GERMANY: Possibility of "Soviet republic" discounted**--Acting Political Adviser Riddleberger in Berlin is skeptical of current rumors that the USSR plans to establish the present Soviet Zone in Germany as a Soviet republic. Riddleberger considers that such a step would represent a radical departure from the basic policy and propaganda of the USSR which professes to support the unity of Germany against the desire of the Western Powers for its partition and exploitation. Riddleberger observes, however, that the USSR may take some less extreme action, such as the establishment of a zonal government along national lines or the promotion of a new political grouping for non-Communist elements.

- 3 -

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(CIA Comment: CIA concurs with this estimate. Moreover, CIA considers that the USSR does not at present desire to make eastern Germany into a participating member of the USSR or an "independent" satellite state.)

6. CZECHOSLOVAKIA: Estimate of Communist gains in Slovakia-- US Ambassador Steinhardt believes that the political crisis created in Slovakia by the Czechoslovak Communist Party may result in some gains for the Communists in the provincial government of Slovakia, but will not enable the Communists to take control of the Czechoslovak Government. Steinhardt adds that Communist tactics in this matter have convinced non-Communist party leaders that only by the closest cooperation can they avoid being eliminated from the Government one by one.
7. FRANCE: Cominform results in Communist defections -- US Ambassador Caffery reports the view of a "reliable and well-informed source of the non-Communist left" that a crisis within the French Communist Party, resulting from the establishment of the Cominform, is about to come into the open. Source reports that defections from the Party have taken place as a result of concern over its subservience to Moscow.

Poland accepts treaty proposals -- Secretary General Chauvel of the Foreign Office has told Caffery that the Polish Government has suddenly "executed an about-face" and has accepted almost all the previously-rejected French proposals in the negotiations for a mutual assistance treaty between Poland and France. Chauvel told Caffery that the French Government does not wish to sign such a treaty at this time and will try to prolong the negotiations indefinitely.

FAR EAST

8. SIAM: Possibility of counter coup against recent coup d'etat-- US Ambassador Stanton in Bangkok reports that General Luang Phibun

- 4 -

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~~TOP SECRET
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Songgram appears to be temporarily in complete control of the situation in Bangkok following the coup d'etat of 9 November. Stanton also reports that civilian political leaders Pridi and Premier Dhamrong and Generals Adun and Wirawat have fled Bangkok and may establish a legitimate government outside Bangkok and rally military forces to their support.

(CIA Comment: A counter coup from outside Bangkok led by Pridi and Adun and supported by their adherents in the government, army, and police, remains a distinct possibility.)

9. INDONESIA: Three-Power Committee deliberations--The US representative on the Three-Power Committee of Good Offices reports from Batavia that both the Dutch and Republican representatives have made it clear that there is little chance of effective political discussions until an agreement has been reached concerning implementation of the Security Council's cease-fire order. The representative reports that there is no agreement regarding a site for future negotiations and, in view of a continued deadlock, a US naval vessel may have to be used as a neutral meeting place.

THE AMERICAS

10. PANAMA: Defense sites negotiations--The Department of State has instructed US Embassy Panama to inform the Panamanian Government that: (a) the US is unable to make further concessions regarding the proposed defense sites agreement; and (b) a ten-year lease with a ten-year renewal option on the Rio Hato base "represents the absolute minimum US requirements."

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12 NOV 1947

532

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

The Greek high command has formulated plans for a winter campaign against the guerrillas (see item 6).

CHINA

No significant new development.

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NO CHANGE in Class.

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DDA Memo, 4 Apr 77

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Date: 10 APR 1978 By: 023

- 1 -

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GENERAL

1. Molotov denies Soviet intention of withdrawal from Germany--US Ambassador Smith reports from Moscow that, in a conversation with the French Ambassador to the Soviet Union, Molotov is reported to have stated: (a) the Soviet Government had no intention of withdrawing troops from Germany; and (b) the Soviet Government had not changed its position in any way since the Moscow CFM. Smith comments that he does not "accept this statement by Molotov as final."

UK stand on possible withdrawal from Germany--According to US Embassy London, the UK Foreign Office now feels that the USSR may propose at the CFM a general withdrawal from Germany. Current Foreign Office thinking is that if the USSR proposes a general withdrawal from Germany, such a proposal should be rejected on security grounds. The Foreign Office feels that the USSR should be informed that it is necessary to keep troops in Germany until the security problem is solved, possibly by a four-power pact.

2. Mikolajczyk requests permission to come to US--US Embassy London reports that former Polish Peasant Party leader Mikolajczyk has requested permission for himself and three aides to come to the US next week for an indefinite stay.
3. "Soft" UK policy toward Yugoslavia noted--US Ambassador Cannon in Belgrade reports that he has observed a shift to a "soft phase" in UK policy toward Tito and that, in reaction to this shift, there is a marked falling-off in anti-British propaganda in the Yugoslav press. Cannon considers that present UK policy may be based on the "misapprehension" that Tito is a free agent and on the belief that a UK-Yugoslav policy may be established independently of UK-USSR policy or other British policies. Cannon feels that, except in times of crisis, basic US policy must in the future be shaped on the assumption that the US "must carry the burden" and may at times have to "go it alone."

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(CIA Comment: The UK will probably seek every opportunity to trade with the Satellites in the belief that, in the long run, the re-establishment of normal commercial relations between Eastern Europe and the West is essential to British and general European prosperity. The current "soft phase" may therefore reflect a UK desire to insure the success of the trade and financial negotiations now in progress with the Yugoslavs. The Yugoslavs appear ready to conclude a settlement of certain financial claims of the UK and to make a trade agreement providing the UK with needed food and materials.)

EUROPE

4. AUSTRIA: Continued military occupation believed imperative-- Commanding General US Forces Austria believes that US occupation of Austria must continue until a satisfactory treaty can be concluded because: (a) premature withdrawal of US forces would be interpreted in Austria as a "weakening of our expressed determination to establish Austria as a free, independent, and democratic state"; (b) such a withdrawal would expose the present Austrian Government to Communist pressure and might result in its early downfall; and (c) Austria's strategic position is one of supreme military importance. General Keyes believes, however, that occupation forces should be reduced by a four-power agreement.
5. FRANCE: Open opposition to CGT Communist leadership-- [redacted] 3.3(h)(2)
 [redacted] that prior to the current National Congress of the General Confederation of Labor (CGT), non-Communist dissidents in the CGT resolved: (a) to remain within the CGT as an organized minority in order to promote "democratization" of the Confederation; (b) to oppose efforts to make the CGT a servant of any political party; and (c) to offer strong support to the European recovery program. [redacted] this is a further indication that recent Communist violence against Socialist groups has drawn together the Socialist groups that were previously divided and has further isolated the Communist Party. 3.3(h)(2)

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(CIA Comment: This is the first open opposition by non-Communist elements to the CGT's Communist leadership.)

6. GREECE: Plans for winter campaign against guerrillas-- [redacted] 3.3(h)(2)
 [redacted] the Greek high command has drawn up plans for a winter campaign against the guerrillas to begin on 15 December. The plans also call for an all-out spring offensive (commencing on 15 March) designed to eliminate the guerrillas from Greece prior to 30 June 1948. [redacted] that while the decision to carry on operations during the winter is an encouraging sign, the "aggressiveness and efficiency in execution remain to be seen." 3.3(h)(2)

NEAR EAST-AFRICA

7. PALESTINE: US denies proselytizing for partition--The Department of State has informed US Legation Damascus that while the Latin American delegations at the UN are not under US pressure to support partition (see Daily Summary of 6 November, item 5), they are subject "to considerable persuasion by national chapters of the highly-organized and well-financed Jewish Agency." The Department adds, however, that US representatives have not hesitated to explain and defend to representatives of foreign powers at the UN the official US position on partition.
8. IRAN: British reportedly oppose US arms credit to Iran--US Ambassador Allen reports that [redacted] has received information that the British are attempting to influence the Majlis against ratifying the agreement for the purchase of US military supplies. Allen believes that the British opposition may be due to the desire: (a) to limit Iran's dollar expenditures (the UK has agreed to permit Iran to convert current sterling earnings into dollars); (b) to supply Iran with British military equipment; and (c) to restrain increased US activity in Iran. 3.3(h)(2)

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FAR EAST

9. SIAM: Developments and reactions to the coup d'etat- [redacted]

3.3(h)(2)

[redacted] the 9 November coup was led by a relatively-unknown group of military and political figures. In order to attract a public following, this group first selected as its leader General Adul, Commander of the Siamese Army. The group turned to wartime-dictator Marshal Phibul when General Adul sought to halt the coup. The Attache believes that the strength of the group is "tissue-paper thin" and could be broken easily if elements of the former government and its adherents rally immediately.

US Embassy Paris reports that the French Foreign Office is perturbed by the coup because of Phibul's Axis collaboration and his attack on French Indochina in 1940-41. On the other hand, US Embassy London believes that the UK Foreign Office would prefer the Phibul regime, if it remains in power, to prolonged civil strife.

10. KOREA: Indications of possible unilateral Soviet withdrawal--US Political Adviser Jacobs reports that there are indications that Soviet military forces are removing heavy equipment from North Korea, possibly to be ready for prompt action when orders for withdrawal of personnel are received. Jacobs states that Soviet officials in Pyongyang have recently restricted the movements of US liaison officers there and have pressed them for information concerning the possibility of an evacuation of US forces from South Korea.

THE AMERICAS

11. PANAMA: Recent defense-sites developments-- [redacted]

3.3(h)(2)

[redacted] (a) a coalition of prominent Panamanian political leaders, under the leadership of ex-President Harmodio Arias, is about to nominate the present Panamanian Ambassador in Washington, J.J. Vallarino, for the presidency; (b) Vallarino, despite his known pro-US sympathies, can now be expected to join Arias in opposing the US views on the Panama defense-sites negotiations; and (c) many prominent Panamanians now subscribe to the view that the defense-sites negotiations should be suspended and the US permitted, until after the Panamanian elections in May 1948, to occupy the bases "illegally."

- 5 -

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12. **ARGENTINA: Relations with USSR**--US Charge Rio de Janeiro reports that, according to the Brazilian Foreign Minister, President Peron told the Brazilian Ambassador in Buenos Aires that severance of Argentine-USSR relations would constitute Argentine acquiescence in the US "desire" to speak and act for the entire Western Hemisphere vis-a-vis the Soviet Union, and that Argentina therefore has decided not to break relations.

(CIA Comment: The Communists have repeatedly asserted that Chile's and Brazil's severance of relations with the USSR was the result of pressure from the US. This is the first indication that Argentine officials are entertaining any such views.)

- 6 -

~~CONFIDENTIAL~~
TOP SECRET

13 NOV 1947

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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EUROPE

1. **FRANCE: Ramadier Government "no weaker"** --US Ambassador Caffery believes that Ramadier's position is no weaker than it was two weeks ago and is "perhaps even somewhat stronger." Caffery suggests that Ramadier has gained strength because De Gaulle has clearly indicated that he does not wish to return to power at this time and because the Parliament is unwilling to risk a premature showdown with the Communists by voting Ramadier out of power when there is no successor in sight. Caffery points out that on 30 October, when the Ramadier Government received its slender vote of confidence, it was generally believed that the Government's survival was "a question of days."

Communists reported promoting coal strike--A "reliable anti-Communist French trade unionist" has told Caffery that the Communists are now attempting to create discontent among French coal miners in order to bring about a strike in the coal industry. According to Caffery's informant, the Communists consider that such a strike would cripple the effort of the Government to stabilize the economy and would create an adverse reaction in the US, particularly in Congress.

2. **ITALY: Treasury Minister's views on currency stabilization**--US Ambassador Dunn reports the emphatic opinion of Treasury Minister Del Vecchio that no arrangement can be made in the European recovery program for the free convertibility of European currencies (as suggested in the CEEC report) until there is a stabilization of these currencies at their proper levels. Del Vecchio believes that, because of the reluctance of any one government to take action ahead of the others, the initiative toward stabilizing currencies will have to come from the US.

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NEAR EAST-AFRICA

3. **INDIA: Congress leaders seek collapse of Pakistan--A high British Foreign Office official has expressed the opinion to US Embassy London that the troubles between India and Pakistan are likely to become much worse. The official believes that Congress Party leaders accepted the establishment of Pakistan as the price of independence and are now attempting to bring about the collapse of Pakistan and its subsequent reunion with India.**

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14 NOV 1947

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534

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

14

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- 1 -

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GENERAL

1. Soft-UK policy toward Yugoslavia discounted--US Embassy London reports that it detects no softening of UK policy vis-a-vis Yugoslavia (see Daily Summary of 12 November, item 3) and that Foreign Office officials have no illusions about Yugoslavia's position as "an aggressive junior partner in the Soviet hegemony." The Embassy adds that UK trade negotiations with countries in the Soviet orbit should not be considered appeasement. The Embassy agrees that the US must "carry the burden" vis-a-vis Yugoslavia but considers that the UK is willing to help as much as it can.

The Embassy also reports that the Foreign Office: (a) opposes setting up the Free Territory as planned, because Yugoslavia would eventually annex it; and (b) in order to keep Trieste in the Western orbit, favors placing the present US-UK zone under Italian sovereignty and giving the Yugoslav zone to Yugoslavia (see Daily Summary of 10 November, item 2).

EUROPE

2. AUSTRIA: Ration increase to be announced--US Minister Erhardt and US Commissioner Keyes report that the Austrian Government will be authorized to raise the basic caloric level to 1700 beginning 15 November (see Daily Summary of 10 November, item 4). The US officials, who indicate that the Austrian Government remains firm in its belief that the basic caloric level must be further raised to 1800, add that they consider such an increase to be "inevitable."
3. GREECE: Refugee problem growing--AMAG Chief Griswold reports that the Greek refugee problem (see Daily Summary of 27 October, item 6) is too great to be handled by the Greek Government, or by AMAG, unless the whole Greek reconstruction program is abandoned. Griswold recommends that the US authorize another agency, with not more than \$50 million of additional funds, to handle the refugee problem until 30 June 1948, so that AMAG can carry out its original program.

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FAR EAST

4. **BURMA: Possible Communist reunion with Anti-Fascist League--**
Premier Thakin Nu has told US Charge Packer that he plans to invite the Communists to rejoin the Anti-Fascist League after they have been disarmed. Although Thakin Nu says he is aware of Communist "Trojan horse tactics," he considers that the Kremlin does not direct Burmese Communists and that Burmese religious fervor precludes strong popular support of Communism.

(CIA Comment: Because Thakin Nu appears to be the only member of the Burmese Cabinet in favor of the rapprochement, he may have considerable difficulty in effecting the reunion.)

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15 NOV 1947

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535

GENERAL

1. Embassy Moscow's views on Soviet aims in Palestine--US Embassy Moscow reports its conviction that Soviet policy on the Palestine question is "deliberately calculated to insure unsettlement, rather than settlement, and to create maximum difficulties for the British and Americans in the Near East." The Embassy believes that Soviet support of partition reflects the Kremlin's decision that: (a) both Europe and the Asiatic colonial areas are "softer" for Soviet exploitation than the Near East; and (b) Jews and other minority groups provide the "only immediately useful tool" for softening up the Near East for "eventual straight Communist cultivation," in view of the weakness of indigenous Communist movements in the area.

UK reiterates stand on British troops in Palestine--The UK has delivered a note to the Department of State emphasizing its decision not to allow either "the British administration or British troops in Palestine" to be used for imposing a settlement unacceptable to both Jews and Arabs. The UK considers that: (a) it would be "playing the Soviet Union's game" to allow British troops to be embroiled in repressive action in Palestine against either Jews or Arabs; and (b) the hostility aroused by the use of British troops would be directed solely against the UK even though the troops would be acting as agents of the UN.

2. Michael undecided whether to return to Rumania--US Ambassador Caffery reports from Paris that he has been told by a former Minister of the Rumanian Government that King Michael "would very much like to talk to some representative of the US Government" while in London. Michael reportedly said that he is undecided whether to return to Rumania, where his situation is "extremely difficult," and that he would decide only after talking with a US representative.

EUROPE

3. FRANCE: Current French Communist tactics--US Ambassador Caffery reports that according to qualified observers, including

- 1 -

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 Auth: DDA REG. 77/1763
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members of the non-Communist left and Interior Ministry, the Communists, "knowing that a showdown with De Gaulle is inevitable and aware of the fact that the latter does not wish it to occur until next spring," are fomenting increased public disorders and social unrest in order to force De Gaulle to make his bid for power prematurely. Most observers believe that the Communists will continue to promote local and regional strikes (which will prevent the Government from stabilizing the economic situation) and "will reserve the weapon of a general strike for the moment when De Gaulle endeavors to come back to power."

(CIA Comment: CIA concurs in this estimate of Communist intentions in France. This report, together with reports of Communist-instigated disturbances even in Belgium (where the Communist Party is relatively weak), suggests that a further Communist motive may be to arouse the fear in the US Congress that all of Western Europe is so dominated by Communism that US backing of the European recovery program would be useless.)

4. UK: Bevin's views on international problems--According to US Embassy London, Bevin has expressed to visiting US Senators the following views: (a) a solution acceptable to both Arabs and Jews could probably have been worked out in Palestine last year if it were not for the activities of US Jewish organizations; (b) it appears that the UK "gamble" in leaving India will be successful despite initial massacres; (c) the best chance of getting rid of Franco is to leave him alone, because outside interference will only rally Spanish pride to his support; (d) France is the "keynote to the restoration of the European economy"; and (e) Greece must be held because it is the "keynote to the whole Mediterranean situation." The Embassy adds that Bevin made a "very favorable impression on the Senators."

- 2 -

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536

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

Rightist Greek labor leaders are apparently attempting to oust moderate elements from the Greek Confederation of Trade Unions. Such action would have repercussions in socialist Europe and would likely cause British labor elements to bring increased pressure on Bevin to withdraw remaining UK troops from Greece.

CHINA

Chiang Kai-shek's concern about ammunition shortages and the danger of runaway inflation appears to have been intensified by the prospects of further Chinese Communist offensives this winter and the belief that the US aid proposals thus far disclosed will prove far from adequate.



17

Document No. 040
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GENERAL

1. Embassy Moscow suggests information research unit--In order to combat Soviet efforts to nullify any US program of aid for Europe, Ambassador Smith in Moscow recommends that the US launch a comprehensive campaign to counter Soviet propaganda and unmask Soviet actions. Smith proposes the establishment of a research unit which would seek methodically, objectively, and factually to expose false Soviet assertions, debunk Soviet propaganda, and clarify US policies. He emphasizes that the most important objective of the program should be to counteract the "terrible and developing fear of imminent war which is overpowering Europe" and which, under Soviet stimulus, has become one of the greatest deterrents to the success of the European recovery program.

EUROPE

2. FRANCE: Socialists oppose Reynaud--US Ambassador Caffery reports that although Paul Reynaud is "increasingly mentioned" as a possible successor to Ramadier, Caffery has been "reliably informed" that a number of Socialists, including Blum, are opposed just now to the "Reynaud solution." (De Gaulle has also been reported as opposed to the return of Reynaud; see Daily Summary of 8 November, item 3.)

MRP leaders hope De Gaulle return unnecessary--Two leaders of the Popular Republican Movement (MRP) have expressed to US Embassy Paris "qualified optimism" that France, with US aid and an energetic government in power, may be able to weather the coming winter and make a "De Gaulle solution unnecessary." One leader told the Embassy that the situation had changed materially during the past few days and that MRP is now negotiating to create a new cabinet which would include a prominent representation of RGR (primarily Radical Socialists) and Independents, with the Socialists and the MRP in "supporting positions."

The Embassy comments that because of the severe electoral defeat of the MRP, many political leaders doubt that an MRP premier would have sufficient public support to last very long.

- 2 -

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3. POLAND: Griffis' comments on Polish situation--US Ambassador Griffis in Warsaw reports that, during his six months as Ambassador, there has been "a continuous deterioration" in US-Polish relations. Griffis foresees "no immediate or far distant possibility whatsoever" of any change either in the present form of government or in the government's complete subservience to the USSR.

4. BULGARIA: USSR may retain "Military Mission"-- [redacted] 3.3(h)(2)
 [redacted] that there are no indications of Soviet intentions to withdraw troops from Bulgaria by 15 December in conformity with the peace treaty and that Soviet officers are examining vacant living quarters in [redacted] adds that the USSR may retain a "Military Mission" in Bulgaria, although no specific agreement has apparently been made between the Bulgarian and Soviet governments. 3.3(h)(2)

NEAR EAST-AFRICA

5. PALESTINE: Single command for Arab armies claimed--According to US Legation Damascus, Azzam Pasha (Arab League Secretary General) has informed the British Charge that: (a) the armies of the Arab League states are now in fact under unified command; (b) the Arab League will subsidize the Transjordan Arab Legion if the UK drops its subsidy; (c) a token Iraqi force will soon move to Transjordan; and (d) King Ibn Saud insists that Saudi Arabian troops be included in the Palestine border watch.

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48

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537

CRITICAL SITUATIONS

EUROPEAN RECOVERY

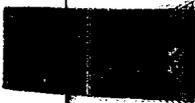
No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



18

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EUROPE

1. **FRANCE:** No agreement reached on Ramadier successor--US Ambassador Caffery reports that no agreement has been reached in French political circles on a possible replacement for Ramadier, though there are strong indications that parties in the present government are considering a new cabinet headed by Leon Blum, with Reynaud taking over the portfolios of finance and national economy. Caffery has been told by a leader of the MRP, however, that "it is not at all certain that Blum will accept" and that there is "an equal chance" that the talks between Blum and Reynaud may break down.

Police comment on Marseilles riots--US Consul Gray reports from Marseilles that prefectural and Surete Nationale officials maintain that the recent riots in Marseilles were ordered by Communist leaders in Paris and were led by Communist shock troops, as a "feeler" toward a nationwide general strike. There are "reliable reports," according to these officials, that rightist groups such as the Rally of the French People (RPF) have also organized shock troops to counter the Communists. The prefectural officers believe that the Communist shock troops "got out of hand" in Marseilles and that events went farther and faster than Party leaders planned.

2. **ITALY:** Reports of "civil war" discounted--US Embassy in Rome, commenting on recent disorders in Italy, reports its view that a "Communist coup de main is not imminent" because the disturbances occur in widely separate areas and are not simultaneous. The Embassy suggests that the Communist aim in these demonstrations is "undoubtedly" to test the Party's militant machinery and to intimidate the public. The Embassy adds that Government police powers are being applied with firmness and good judgment.

FAR EAST

3. **CHINA:** Sino-US economic administration for Taiwan--US Ambassador Stuart reports that Chiang Kai-shek, in a recent discussion of Taiwan (Formosa), heartily endorsed "in principle" some form of joint

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US-Chinese administration with emphasis on economic rehabilitation. The Ambassador believes that the Generalissimo "may be willing to act" because he is apparently aware of the growing Taiwanese discontent and the organization of an autonomy movement under capable leadership.

(CIA Comment: Chiang Kai-shek gave his hearty endorsement to a similar proposal made by Ambassador Stuart in late March, just following the revolutionary disturbances in Taiwan. While it is likely that he would be disposed to favor concrete proposals for US economic assistance in rebuilding Taiwan, he would probably oppose any far-reaching controls or insistence on political reforms.)

- 3 -

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development,

GREECE

No significant new development.

CHINA

High Chinese officials are extremely despondent in the face of critical developments in China (see Item 7).



19

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- 1 -

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GENERAL

1. Italy may propose partition of FTT--US Ambassador Dunn has been informed by an Italian Foreign Office official that Italy may petition the UN to revise the Italian Treaty so as to permit the partition of the Free Territory of Trieste: the northern zone, including the city of Trieste, to go to Italy and the southern zone to Yugoslavia. Dunn and UK Embassy Rome believe that US or UK initiation of such a proposal at this time would "be detrimental to the US position vis-a-vis Yugoslavia and would be extremely harmful to US prestige in Italy."

(CIA Comment: CIA doubts that Italy will present such a petition to the UN without obtaining prior consent from the US.)

2. Syrian official's views on Arab plans--The Syrian Defense Minister has outlined to [redacted] "the real Arab conception" of the military situation in Palestine. The Minister stated that: (a) the nucleus of the Arab People's Army--which is already partially organized and now undergoing training--consists of 40,000 Palestine Arabs with foreign army or gendarmerie experience; (b) Arab Palestine can logistically support the present force, will obtain additional supplies from neighboring Arab states as the army grows, and anticipates no armament or personnel replacement problem; and (c) Hagana (military arm of the Jewish Agency) has no more than 50,000 trained men available. The Minister foresees a long-term, harassing guerrilla campaign against Jewish communications, utilities, and other facilities, eventually weakening the Jews "to the point where they can be overrun." The MA, in commending the Minister's "realistic approach," notes that he made no suggestion that Arab national armies will be employed.

3.3(h)(2)

EUROPE

3. FRANCE: De Gaulle reported favorable now to Blum-Reynaud--US Ambassador Caffery has been told by a "confidant of De Gaulle" that De Gaulle now considers a Blum-Reynaud government "the best

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possible formula of transition" pending his own return to power and that De Gaulle would maintain an attitude of neutrality toward such a government.

(CIA Comment: De Gaulle's apparent change of attitude is probably based on his desire not to return to power at the present time. De Gaulle is likely to refrain from violent attacks on any non-Communist government until he feels strong enough to take control himself.)

Bidault prefers Reynaud-Blum government--Bidault has explained to Caffery that, although he is taking no part in the current negotiations toward the formation of a new government, he would prefer to have Reynaud at the head with Blum in the secondary position. Bidault prefers Reynaud because he thinks that Blum is not prepared to take a sufficiently strong stand against the Communists. Bidault added that Reynaud has informed him repeatedly that Reynaud will not interfere in foreign affairs. Caffery feels that Bidault is principally interested in remaining the "indispensable man" in the Foreign Ministry regardless of who heads the government.

4. GERMANY: Soviet state in eastern Zone reported fully prepared--US Consul General Altaffer in Bremen has been "reliably informed" that the Social Democratic Party of the western Zones of Germany has "incontestable evidence" that a Soviet state in the eastern Zone of Germany is already "fully prepared."

(CIA Comment: Although the Soviet Union may have drawn up such plans, CIA doubts that it intends to put them into effect at this time. CIA believes that the Soviet Union will hold them in abeyance for possible subsequent application as "retaliatory measures.")

5. USSR: Moscow places Italy first on Cominform timetable--US Embassy Paris reports that, according to Bulgarian and Hungarian diplomatic sources in Paris, Moscow has decided to direct the main

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efforts of the Cominform against Italy and now considers France to be of secondary importance. A "very reliable leftist informant" has told Ambassador Caffery that the Communists believe that they may be able to seize power in Italy within the next two or three months.

(CIA Comment: It is likely that the Cominform will give first consideration to Italy. However, CIA does not believe that the Communists have the strength or the intention to seize power in Italy through armed insurrection within the next two or three months.)

NEAR EAST-AFRICA

6. IRAN: Allen opposes direct US aid at this time--US Ambassador Allen reports that the Shah and Prime Minister Qavam have again pressed for US aid to Iran. Allen is unwilling to recommend US initiation of any direct aid program until the extent of Iranian parliamentary opposition is determined. Allen has suggested to Qavam that open discussion in the Majlis of the present US arms-credit proposal is the best method of ascertaining the extent and weight of the opposition.

FAR EAST

7. CHINA: National Government leaders despondent over crisis--US Ambassador Stuart reports his conviction that high Chinese National Government officials have become genuinely disturbed and despondent because of the critical stage of developments in China, and are sincere in their attempts to impress upon him the urgent need for US aid.

Chinese exchange assets rapidly depleting--Stuart also reports that, according to estimates prepared by Dr. Young, Financial Adviser to the Chinese Government, China's official holdings of foreign exchange, gold, and silver will be rapidly depleted in forthcoming months and may be completely exhausted by April 1948.

- 4 -

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3. SIAM: New regime seeks foreign recognition--US Ambassador Stanton in Bangkok reports that Siamese ex-Premier Thamrong is apparently planning to set up a government somewhere in Siam to oppose the regime installed by the 9 November coup. Thamrong and his supporters expressed the strong hope that recognition of the new regime would not be accorded by the US and other countries. Stanton has been informed that the coup regime has made efforts to gain support for recognition from UK, French, and Chinese diplomatic representatives in Bangkok.

THE AMERICAS

9. ARGENTINA: Peron's reported concept of US aims--US Ambassador Warren in Asuncion has been informed by the Brazilian Ambassador that Peron recently told President Morinigo that: (a) the US wants all American nations to break relations with the USSR, leaving the US the only link with Moscow; (b) the US has been bringing great pressure on Peron to break with the USSR; and (c) Peron will sever relations with Moscow only if the US does the same. (A similar report was received recently from another Brazilian source; see Daily Summary of 12 November, item 12.)

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20 NOV 1947

539

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

Moderate Greek labor leaders have successfully resisted rightist efforts to oust them from control of the General Confederation of Trade Unions and have thus gained considerable strength and prestige.

CHINA

No significant new development.

20

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- 1 -

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GENERAL

1. Possible Soviet moves in CFM indicated--Acting US Political Adviser Riddleberger in Berlin transmits, as an indication of possible Soviet moves in the CFM, the reported remarks of a high Soviet Military Administration spokesman at a secret meeting of German Communist functionaries. According to the report, evaluated as "probably true" and "from a usually reliable source," the SMA spokesman declared that Soviet representatives at the CFM would demand: (a) approval of the Socialist Unity Party (SED) in the western Zones; (b) a plebiscite on political unity for Germany; (c) reparations based on current production; (d) the use of Ruhr coal by German industry only; (e) increased production of finished goods in Germany; (f) the exportation of goods from the western Zones to the USSR; and (g) the establishment of economic unity in Germany with a central German administration. The Soviet delegates would reportedly be prepared to make such "concessions" as: (a) a reduction in size of the Soviet Army in Germany or else its withdrawal beyond the Oder-Neisse line; (b) the cessation of the expulsion of refugees; and (c) an end to the dismantling of plants for reparations.

2. AMAG comment on UK missions in Greece--AMAG Chief Griswold believes it important to dispel immediately the present uncertainty among UK officials in Greece regarding the future status of the British military, naval, and air missions. Griswold reports that the UK Embassy and the British missions had no advance information of the US plan to give tactical advice to the Greek Army and "appear bewildered" by it. British officials apparently assume that the missions may be withdrawn. Griswold adds that US-UK relations in Greece have been excellent and that he has given assurances that the US desires the missions to remain.

EUROPE

3. FRANCE: Reynaud unwilling to enter Government now--US Ambassador Caffery reports that, prior to Ramadier's resignation, Reynaud said that he does not choose, in the face of a possible general strike,

- 2 -

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to enter the Government "at this juncture." Reynaud reportedly feels that he would be a liability to the Government during a general strike and that it would be better for him to enter the Government after the strike was over.

Caffery also reports that Reynaud believes that the new cabinet will have to achieve a "quasi-neutrality" with De Gaulle and that it should include a member of the Gaullist parliamentary group. Caffery considers it improbable that any member of the Gaullist parliamentary inter-group will accept a cabinet portfolio without De Gaulle's permission.

4. USSR: Smith protests Soviet restrictions upon US Embassy--US Ambassador Smith has protested to Molotov the recent actions of the Soviet Government in restricting the importation of supplies necessary for the efficient operation of the US Embassy and the failure of the USSR to make available adequate offices and quarters for the Embassy staff. Smith also told Molotov that "so long as there is a reasonable prospect of arriving at some equitable arrangement with the Soviet Government," the US will not apply similar restrictive measures to Soviet personnel in the US.

FAR EAST

5. SIAM: UK reactions to new regime--US Embassies Bangkok and London report that Pridi, Free Thai leader, (who has reportedly been considering a counter-coup) has ordered his adherents to refrain from action and has announced his intention to leave Siam. The UK Foreign Office reportedly takes the view that the UK, the US, and other concerned powers should continue the present policy of non-recognition pending clarification of the nature and objectives of the new regime.

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THE AMERICAS

6. **ARGENTINA: Peron's misinterpretation of US aims denied--US Ambassador Bruce states his opinion that President Peron did not tell the Brazilian Ambassador in Buenos Aires that the US desires the other American Republics to sever relations with the USSR (see Daily Summary of 12 November, item 12). Bruce comments that the Brazilian Ambassador has repeatedly "gone out of his way" to ascribe "evil intentions" to the Argentine Government.**

(CIA Comment: CIA also doubts that Peron made such a statement and continues to believe that Brazilian reports about Argentina should in general be viewed with skepticism.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



21

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GENERAL

1. USSR allegedly sponsoring Balkan-Jewish emigration--US Minister Schoenfeld in Bucharest has been told by the British consul there that: (a) two ships of Panamanian registry, carrying an estimated 11,000 Jewish emigrants, are scheduled to leave Constanza some time after 21 November; (b) there is a "high probability" that Soviet agents will embark; (c) preference is being given to young Jews who have received military training at camps in Rumania; and (d) the British anticipate difficulty in intercepting these ships since they have no warships in the Mediterranean from which these large transports can be boarded. Schoenfeld considers it a "safe inference" that Zionists in Rumania are working in close liaison with Soviet officials (see Daily Summary of 18 October, item 2).

2. Satellite plans for aid to Greek guerrillas - 3.3(h)(2)
 considers "possibly true" a report from the Greek General Staff that members of the Yugoslav, Bulgarian, and Albanian General Staffs met recently near Belgrade in order to discuss Satellite support of the Greek guerrillas. It was reportedly decided at the conference: (a) to increase guerrilla strength to a "valuable combative force in the Balkans"; (b) to improve guerrilla tactics by military instruction; (c) to train a nucleus of guerrilla pilots in Yugoslavia; and (d) to furnish artillery support and motor transportation.

EUROPE

3. FRANCE: Sinking of cruiser attributed to Communists--French officials have informed of their belief that the sinking of the French battle cruiser STRASBOURG at Toulon was not the act of "thieves," as reported by the press, but was the direct result of Communist sabotage. The officials report that Toulon navy yard authorities recently had been warned that attempts at sabotage would be made in the near future. 3.3(h)(2)

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4. ITALY: Communists pressing attack on De Gasperi--US Embassy
Rome has been informed that Nenni, leader of the Italian Socialist Party (PSI), has stated that the PSI and the Communists are prepared to sign with a new coalition government a truce (the terms of which would exclude the PSI and the Communists) provided that De Gasperi yielded the premiership to an Independent. Corbino, Liberal Party leader, believes that this solution is the only possible alternative to continued disorders and possible civil war.

The Embassy, in interpreting the proposal as an effort by the Socialist-Communist group to get rid of its arch-enemy, De Gasperi, comments that De Gasperi's removal would impress the public as a Communist victory, weaken the anti-Communist alliance of the Democratic Christians and the Right Wing, and promote further crises in the Government.

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GENERAL

1. Finnish-Soviet mutual defense pact believed possible--US Charge Helsinki believes that, despite official Finnish denials of the existence of a mutual defense pact with the Soviet Union, some understanding along these lines may have been reached during the Finnish Cabinet's recent visit to Moscow. The Charge was informed by the Finnish Minister of Defense that the Moscow visit "has not yet produced any far-reaching results, although something important may be forthcoming soon."

EUROPE

2. FRANCE: Communists plan successive strikes in Paris--US Military Attache has been informed by a usually reliable source that the French Communist political bureau has plans for successive strikes in the Paris area with a general strike to follow in that area if Moscow so decides. Source also states that "Communist shock troops" will demonstrate against increased transport fares. These demonstrations, source adds, will not be undertaken without the Soviet Embassy's approval and are not to approximate an insurrection because Moscow does not want a Communist coup to gain power but wants rather to destroy the French economy.

Mollet may be acting for Communists--US Ambassador Caffery reports that a number of French political observers are wondering whether Guy Mollet, left-wing Socialist leader, "despite Communist criticism of his action, may not turn out to be the French Pietro Nenni." Caffery points out that: (a) Mollet rallied a Socialist majority in the Socialist Directing Committee to defeat a compromise economic program, supported by Blum and Ramadier, which probably would have avoided the present political crisis; and (b) Mollet announced the proposed Blum cabinet before President Auriol had advised Ramadier, thereby making it difficult, if not impossible, for Ramadier to remain as premier.

22

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FAR EAST

3. **CHINA: National Government requests emergency US aid--US Ambassador Stuart reports that the Chinese National Government is officially requesting immediate US aid "because the situation in China has become so acute." The National Government requests payments of at least \$25 million monthly, beginning with next January, and proposes to carry out an internal reform program broadly covering the economic, military, and administrative fields. The Chinese Foreign Minister told Ambassador Stuart that China is prepared to accept US supervision at least comparable to that contemplated in connection with US aid to Europe.**

(CIA Comment: The Chinese proposal is the first official reaction to the tentative outline of \$300 million in US aid to China recently suggested by Secretary Marshall. The expressed willingness of the National Government to accept US controls and to institute a "program of fundamental internal reform" indicates the desperation to which the National Government has been reduced by deteriorating military and economic conditions. However, whether the Nationalists are capable of effecting such reforms, even if willing to do so, remains questionable.)

- 2 -

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.



24

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GENERAL

1. Iranian Government fears further Soviet action--US Ambassador Allen reports that the Soviet note protesting Iran's rejection of the oil proposal has disturbed the Iranian Government, particularly the statements that: (a) the Iranian rejection is incompatible with normal relations between Iran and the USSR; and (b) the Iranian Government must bear responsibility for the consequences of its action. According to Allen, the Government fears that if the Soviet declarations can be taken at their face value, the USSR plans to take some further action against Iran. Allen has informed the Iranian Foreign Minister that he does not regard any serious Soviet action as imminent and does not think the Iranian Government "should take precipitate action of any kind."

2. US reaffirms need for retention of British military missions in Greece---
The Department of State has informed US Embassy Athens that the US decision to furnish additional military advice to the Greek forces does not alter the US view that the British military missions should remain in Greece (see Daily Summary of 20 November, item 2).

3. King Michael considering exile--King Michael has told US Ambassador Douglas in London that he will be required to sign Communist decrees or abdicate if he returns to Rumania. Michael declared that he will not sign the decrees and that to abdicate would mean death or imprisonment. Michael asked Douglas whether, in the event of self-exile, he might come to the US and issue a proclamation to his people. Douglas believes that if Michael decides not to return to Rumania, his statement should be published in Europe before his departure becomes common knowledge.

4. Urgent policy decisions on Trieste recommended--US Political Adviser Joyce in Trieste reports that developments in the US-UK zone of the Free Territory of Trieste have reached a point where decisions on a policy level can no longer be postponed without risking serious deterioration in the US-UK position there. Although US Ambassador

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Cannon in Belgrade believes that the present statute for the Territory cannot succeed, he urges that the status quo be maintained until the outcome of developments in Italy and France, the results of the CFM meeting in London, and the effects of the European recovery program can be ascertained.

5. Australia desires veto in Japanese peace settlement--The Department of State has advised Secretary Marshall in London that the Australian Minister of External Affairs has been informed that the US is planning to accede to the Chinese compromise suggestion for voting procedure at the Japanese peace settlement. (Such a procedure, following the Far Eastern Commission model, would permit exercise of the veto by the US, the USSR, the UK, and China.) The Australian Minister has indicated to the Department that Australia would cooperate if it obtains either a fifth-power veto, or the power to exercise the British veto.

EUROPE

6. HUNGARY: Communists reportedly plan drive against US--US Minister Chapin has been told by a "well-placed Government source" that the Hungarian Communists are planning a strong anti-US campaign designed to silence the Voice of America and to eliminate US influence in Hungary. Source stated that in this campaign the Communists would: (a) make conditions for wives and children of US officials "increasingly disagreeable if not actually dangerous"; (b) persecute Hungarian employees of the Legation; and (c) attempt to suppress US commercial films and the US information service bulletin. Chapin believes that increased Communist activity in Hungary is coordinated with some broad Soviet plan for domination in Western Europe and reflects the "complete readiness" of the Hungarian Government to cooperate with the USSR.
7. ITALY: Easing of war damage claims held necessary--US Ambassador Dunn considers that payment by Italy of war claims advanced by nationals of UN members will cause a severe setback to the internal economy of

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Italy. The claims, according to Dunn, total approximately 250 billion lire of which some 28% is being sought by US citizens. Dunn believes that payment by Italy of these claims will allow Italian Leftists to contend that the US is "giving aid with one hand while demanding reparations with the other." As a possible means of easing Italy's financial burden, Dunn suggests either that: (a) the US allow Italy to use in its budget the lira funds which will accrue from the new interim aid bill; or (b) France, the UK, and the US agree to permit settlement of these claims from the liquidation of German assets in Italy. Dunn adds that he "cannot stress too strongly the importance and urgency of this matter."

8. AUSTRIA: Serious repercussions of currency conversion law--The Commanding General US Forces Austria reports that the new currency conversion law is solidly supported by the Socialist Party and the Trade Union Federation but is not popular with the people. The law, he adds, has: (a) already faced the Government with a "30-day period of economic paralysis"; and (b) presented the Communists "with the kind of opportunity they know well how to exploit."

US Minister Erhardt cites the "inept" timing of the law, the first result of which has been to give the USSR "additional important means of pressure on the Austrian Government."

- 4 -

~~CONFIDENTIAL~~

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543

CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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GENERAL

1. UK position on Spain--US Embassy London has been informed by the UK Foreign Office that Bevin has reached the following conclusions regarding Spain: (a) nothing further can be done until Gil Robles (the leading political adviser to Don Juan) and Prieto (right-wing Socialist leader) have reached agreement on the interim Spanish Government to follow Franco, including a decision as to whether Don Juan will become chief of state; and (b) no consideration should be given to approaching the Vatican for cooperation until it is clear what course Gil Robles and Prieto will agree upon. According to the Foreign Office, Bevin has informed the two leaders-in-exile that he is encouraged by "the measure of agreement" they have reached, and he has told Prieto that he is opposed to sanctions against Spain and to intervention by the UN.

(Prieto and Gil Robles met in London in mid-October with tacit UK approval and reached agreement on many major outstanding issues which have prevented the formation of an anti-Franco centrist coalition. However, they did not agree on the procedure for forming an interim government. In order to compel Franco to step down, Gil Robles proposed to enlist the aid of the Vatican.

(Bevin has long believed that Spanish opposition groups, excluding Communists, should be encouraged to reach agreement on a successor regime to Franco and that outside interference serves only to strengthen Franco's position. Bevin also feels strongly that the Western democracies can not deal with Franco.)

2. London Poles critical of Mikolajczyk--US Ambassador Douglas in London reports that Polish "emigre" government circles in London are very critical of Mikolajczyk's past and present activities. Although the London "emigres" reportedly believe that their president, Zaleski, will remain the unquestioned head of Polish emigres in Europe, they fear that Mikolajczyk may split the Polish emigre movement by attracting an important following in the US. (Mikolajczyk was reported to be leaving by plane for New York on 25 November.)

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EUROPE

3. **FRANCE: Strikes provoke organized labor resistance--US Embassy Paris comments that the present wave of Communist-sponsored strikes is encountering organized resistance even in Communist-dominated basic industries. The Embassy expects this resistance to increase greatly if the new Government imposes a secret ballot for strikes and provides adequate police protection for workers refusing to go on strike. In many industries where secret ballots have been held, the majority of workers have reportedly opposed strike action.**
4. **CZECHOSLOVAKIA: Benes' views on Czechoslovak situation--President Benes has personally expressed to US Ambassador Steinhardt his belief that recent Communist defeats--in the Slovak crisis and in the removal of Fierlinger, left-wing President of the Social Democratic Party--have restored balance in the Government and have bolstered the morale of non-Communist leaders and the general public. Benes anticipates that the Communists will make at least two more efforts to influence the May elections through intimidation, or even terrorization, but he believes that the severity of any future crisis will be less pronounced. Steinhardt adds that the Czechoslovak president, who apparently has recovered substantially from his stroke, showed more hostility toward the Communists than at any previous meeting.**

NEAR EAST-AFRICA

5. **IRAN: Allen urges US firmness vis-a-vis USSR--US Ambassador Allen believes that a US aerial map survey of Iran, as requested by the Iranian Army, would be valuable and sees no objection to such a project provided that the Iranian Government requests it. Allen adds that, while the USSR would cite the survey as further evidence of US control over Iran, a "timorous attitude on our part would be construed as weakness by both Iranians and Soviets at a time when we should maintain the positive policy vis-a-vis the USSR which is showing good results at least in Iran."**

- 3 -

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Embassy Moscow foresees no immediate Soviet action--US Embassy Moscow reports that it sees no indication "of any immediate Soviet intention" to implement the threat contained in the USSR's recent note protesting Iran's rejection of the oil proposal. The Embassy believes that the note is calculated mainly to lay the basis for action at some more propitious time and that "the undue alarm and agitation inside Iran" are meanwhile serving the Kremlin's purposes.

THE AMERICAS

6. DOMINICAN REPUBLIC: Reported arms purchase from Brazil--US Embassy Caracas has been informed by the Venezuelan Foreign Minister that the Brazilian Government has sold to the Dominican Republic eight 75 mm. cannon, 800 machine guns, 10,000 rifles, and a quantity of ammunition. The Foreign Minister "considers the foregoing beyond the normal needs of Trujillo and feels conceivably they are intended for use against Venezuela."

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

No significant new development.

CHINA

No significant new development.

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26

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GENERAL

1. Brazilian Foreign Minister's views--US Charge Key reports from Rio de Janeiro that Brazilian Foreign Minister Fernandes expects the international situation to "deteriorate rapidly" following the CFM conference in London and has expressed the view that armed conflict may "break out within a year." Fernandes added that: (a) he hopes the US will resist the attempt of the USSR to exclude Brazil from German peace negotiations; and (b) both the Brazilian and Uruguayan Governments are convinced that the "soft policy" of the US toward Argentina has encouraged that country to organize a "middle bloc" between the US and the USSR.
2. Policy board requested for US-UK Zone--US Political Adviser Joyce recommends that a board of "three senior officials on a policy level" representing the Department of State, the Combined Chiefs of Staff, and the Department of the Army be formed immediately to guide the US-UK Zone Commander in the formulation of policy decisions on Trieste. Joyce believes that such decisions cannot be delayed without causing stagnation in the local situation. He cites as the most pressing problems: (a) foreign exchange requirements; (b) the deteriorating internal fiscal situation; (c) the need to counter-act Communist pressure on the school system; and (d) the financing of the US information service.

EUROPE

3. FRANCE: Little enthusiasm for Schuman Government--US Ambassador Caffery reports that neither French political leaders nor the public have greeted Schuman's Government with any great enthusiasm. Caffery estimates that the new Government may last several months but that, if it fails to cope with present problems, its tenure may be "a question of weeks or even of days".

Army anticipates no serious trouble--General Revers, French Chief of Staff, [redacted] (a) the army anticipates no serious trouble during the present critical situation but is prepared to handle any eventuality; (b) experience indicates that

3.3(h)(2)

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when the Government supports its actions with force, Communist opposition backs down; and (c) draftees being recalled to military duty have recently shown a quick and patriotic response.

FAR EAST

4. **INDOCHINA: French continue to play down offensive**--According to US Consulate Hanoi, the French have claimed in an official communique that recent operations against the Vietnamese are not on a large scale but are only local actions. The Consulate points out, however, that the number of these local actions approximates a large-scale operation and expresses the opinion that continued French emphasis on limited objectives is designed to permit graceful withdrawal if the fall campaign fails to achieve its purposes.

5. **SIAM: Civilian-military rivalry in new regime**-

3.3(h)(2)

warns that although the Khuang Abhaiwong Government is apparently succeeding in consolidating its position, the military element in the coup group can still overthrow the civilian cabinet. Abhaiwong reportedly claims to be planning to eliminate Phibul's influence in three months, but military figures believe that Phibul's presence will be "necessary" for at least a year.

(CIA Comment: A protracted struggle for control of the Government is in prospect. The struggle between the civilian elements in the coup, headed by Abhaiwong, and the military under Phibul will be complicated by efforts of the ousted Free Thai movement to regain power in the elections scheduled for February 1948. The relative power of the army group is increased by the split in civilian groups between Abhaiwong and the Free Thais and may make it possible for a military leader to take direct control as premier.)

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CRITICAL SITUATIONS

EUROPEAN RECOVERY

No significant new development.

GREECE

The Greek Government is considering the desirability of resuming normal diplomatic relations with its northern neighbors. Such a step would demonstrate Greece's good intentions before the UN and would pave the way for the possible re-establishment of the Balkan Entente should the Satellites eventually install democratic governments.

CHINA

No significant new development.

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4 APR 1978

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- 1 -

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28

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NEAR EAST-AFRICA

1. IRAN: Possible action by disaffected elements from USSR--According to US Ambassador Allen, the Iranian Army Commander in Tabriz (Azerbaijan) has reported that Soviet agents in Azerbaijan are advising their friends to be prepared for a three-pronged drive, on or about 13 December, by Soviet Azerbaijanis and by disaffected Iranian elements now in the USSR. Allen adds that: (a) Iranian garrisons at key points in the northern provinces have been strengthened; and (b) most military officials in Tehran believe that the reported action "would create a considerable problem but could be contained by the Iran military."

(CIA Comment: CIA considers that if the USSR does not give strong military support to the alleged invaders the Iranian Army could contain such a drive.)

FAR EAST

2. SIAM: Ex-premier plans opposition to new regime-- [redacted] 3.3(h)(2)
[redacted] has received reports that ousted Premier Thamrong plans first to oppose the new government by radio appeals and later to use force if political speeches fail. [redacted] 3.3(h)(2)
[redacted] considers that resort to force is unlikely.

US Embassy Bangkok reports that the Free Thais, Thamrong's principal support, are fairly disorganized but they still appear to possess considerable quantities of arms despite daily seizures by the new regime.

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546

GENERAL

1. Views of AFL representative on French strike situation--Irving Brown, the chief European representative of the AFL, has expressed to US Ambassador Douglas in London the following views on the French labor situation: (a) the current strikes in France "are a gradual build up to a general strike as an instrument for seizure of power by the Communists"; (b) worker opposition to Communist domination of the CGT is beginning to appear and could, if developed rapidly as the majority of workers realized the revolutionary and political implications of a general strike, frustrate a prolonged general strike; (c) the Government could make the strike a clear political issue and enlist the workers in a back to work movement, thus discrediting the Communist CGT leadership.

(CIA Comment: CIA concurs with the view that a majority of the workers would not support a general strike of a purely political nature. CIA believes, however, that the Communists will refrain from calling such a strike at this time in order to avoid precipitating a showdown with the Government.)

FAR EAST

2. SIAM: Anti-coup groups reportedly commence "war of nerves"--
 the Free Thais and other
 anti-coup groups have commenced a "war of nerves" directed at the Abhaiwong Government. The MA believes that the immediate strategy of the Free Thais is to create disaffection among the Siamese, particularly the military. The MA comments that the strategy of these groups is feasible if armed conflict does not go beyond scattered guerrilla activities on the part of extremists.

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