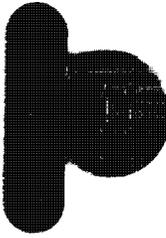


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11 JUL 1946

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GENERAL

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1. Oerlikon may set up arms plant in Argentina--Legation Switzerland reports that the head of the Oerlikon Corporation is "seriously considering" establishing a branch plant to manufacture anti-aircraft cannon and ammunition in Argentina, although some of his advisers consider that such action would "irreparably" impair his standing with the US.
2. British attitude on trade with the USSR--A Foreign Office official has told Harriman that the British will not at present take the initiative in re-opening trade conversations with the USSR, and hold that (a) disputes over past deliveries must be settled prior to new trade arrangements; (b) exports must for the most part be paid for by imports; and (c) only limited credits will be offered. Harriman believes, nevertheless, that British-Soviet trade relations are a "problem of some concern" within the Government.

EUROPE-AFRICA

3. POLAND: Mikolajczyk's views on November elections--Vice-Premier Mikolajczyk has told Ambassador Lane that he will instruct his Polish Peasant Party to boycott the elections scheduled for November unless all parties are guaranteed equal pre-election rights and equal representation on electoral committees. In answer to Lane's query as to whether abstention might not result in civil war, Mikolajczyk stated that "he had carefully considered the situation" and that "undoubtedly the result would be civil war."
4. RUMANIA: Communist economic policy--Ambassador Harriman has been told by Max Ausnit, a leading Rumanian businessman and member of the Rumanian industrial mission to the UK and US, that the Rumanian Communists are not at present advocating radical economic measures and Government interference in his business enterprises is not great. Ausnit feels that the Rumanian elections should be postponed, since they would "certainly" be rigged, and the resultant Government victory would encourage the Communists to pursue a more aggressive economic policy.

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5. **GREECE: Reaction to Albanian border attack**--The British War Office has informed the US Military Attache in London that the Greek Government ordered two destroyers to Corfu following the recent Albanian-Greek border incident (see Daily Summary of 10 July, item 8). US Ambassador MacVeagh in Athens reports the Greek General Staff's belief that the Albanian raid shows evidence of being a "professional" rather than a "guerrilla" operation.
6. **ICELAND: Troop withdrawals**--Prime Minister Thors has asked US Minister Dreyfus how the US would react, if it were officially asked to withdraw its troops from Iceland. Thors added that Communist members of his Cabinet since 15 April had consistently urged him to take this action. Dreyfus believes that the inquiry affords renewed evidence of Thors' "fundamental disinclination" to consider US-Iceland relations from any viewpoint other than his own "political convenience." Dreyfus urges that new US proposals be presented "without delay," before the "elusive" Prime Minister can further complicate the situation.
7. **SPAIN: Important Franco announcement expected**--US Naval Attache Madrid reports multiplying rumors of "imminent cabinet changes." He believes that Franco will make an "important announcement on 18 July (the tenth anniversary of the beginning of the Spanish Civil War).

FAR EAST

8. **N.E.I.: Instability of Sjahrir's position**--US Consul Foote reports that Sjahrir has narrowly escaped a second kidnapping attempt, reportedly organized by Communists and carried out by the Indonesian Army. Foote states that the chaotic conditions precipitated by Sjahrir's kidnapping on 27 June have developed into what the Indonesians call "near civil war" and that the resultant uncertainty of Sjahrir's position has "held up" his talks with Van Mook.
9. **SIAM: Application for UN membership**--The State Department has been informed that the Siamese Legation in Washington is requesting its Government to apply formally for UN membership by 15 July and at the same time to request consideration of the disputed areas. The Department has instructed Legation Bangkok to urge the Siamese to expedite both communications, because the French may veto the membership application, if the disputed areas question is not also submitted.

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