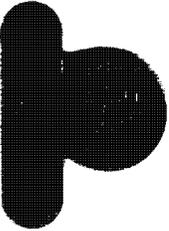


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12 JUL 1946

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1. Soviets deny tractor sale to Argentina--The Soviet Government, in reply to the US query about press reports that the USSR had agreed to sell tractors to Argentina (see Daily Summary of 25 June, item 2), has branded the reports as "inventions." The Soviets regret that the US, without first ascertaining the truth from the Soviet Government, "delayed" the shipment of UNRRA tractors to the Ukraine and Byelorussia, and "expect" the US to resume shipment. (UNRRA officials in Moscow publicly announced on 2 July the cancellation of tractor shipments to the two Soviet Republics.)

EUROPE-AFRICA

2. HUNGARY: Unilateral Soviet demands on Government--Minister Schoenfeld in Budapest reports that Soviet General Sviridov's recent letter to the Hungarian Government (demanding strong measures against allegedly anti-Soviet and "fascist" elements) was signed by Sviridov in his capacity as Deputy Chairman of the ACC, Hungary, but was not discussed with other ACC representatives. The Hungarian Government has decided to accede to "the majority" of Sviridov's demands, because the Cabinet believed that the only alternative was civil upheaval, which would provide a pretext for retention of Soviet troops in Hungary.

The State Department has authorized Schoenfeld to join his British colleague in requesting the US and UK representatives on the ACC to protest the transmission of the Soviet letter without consulting the US and UK representatives, and to request that the Soviet demands be suspended pending general ACC agreement.

3. POLAND: Conditions for Ex-Im Bank credit--The State Department, subject to Secretary Byrnes' concurrence, believes that no new conditions should be imposed on the Export-Import Bank credit to Poland, despite the request of the British Foreign Office that the US condition the resumption of the credit on new assurances of freedom in the forthcoming elections.

4. ICELAND: Operation of Vik Loran station--According to US Minister Dreyfus, Iceland's Civil Air Director, Ellingsen, has indicated to UK officials that Iceland

3.3(h)(2)

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would permit the US to operate the Vik Loran station (see Daily Summary of 19 June, item 9) if only civilian operators were used and if such operators were subject to the "nominal control" of an Iceland supervisor.

5. IRAQ: Oil workers strike--Legation Baghdad reports that the Iraq Government has sent its Minister of Economics to Kirkuk to investigate the strike of 3,000 employees of the British-French-US-Dutch Iraq Petroleum Company. The Minister is inclined to sympathize with the workers' grievances.

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FAR EAST

6. N.E.I.: British policy--US Consul General Batavia reports that in recent months British officials in Java have been [redacted] cordial and helpful to the Indonesians. He believes that the British

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Delay in opening of Malino Conference--The Consul General also reports that postponement of the opening of the Malino Conference from 1 to 15 July was caused principally by difficulty in selecting delegates and secondarily by London's delay in reaching a decision to relinquish military control outside Java and Sumatra and to return supreme authority to the Dutch.

7. PHILIPPINES: Disposition of US surplus property--The State Department has instructed Ambassador McNutt to review with the FLC in Manila the entire problem of disposing of US surplus property in the Philippines (see Daily Summary of 2 July, item 3, and 10 July, item 11). The State Department points out that (a) US surplus property stocks in the Philippines are much larger than the amounts to which the Philippine Government is entitled under the Philippine Rehabilitation Act; (b) purchases of surplus property sales to Philippine nationals recently have declined; and (c) reduction of US Army Forces has left insufficient personnel to prepare shipments for China.

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THE AMERICAS

8. **ARGENTINA: Colombian Ambassador approves US policy--**The President of Colombia has informed the US Ambassador that the Colombian Ambassador in Buenos Aires is optimistic over developments in Argentina and feels that Ambassador Messersmith's "initial labors have been most successful." Although some elements of the Argentine Congress oppose ratification of the Chapultepec agreements, the Colombian representative has been assured by the Argentine Foreign Minister that ratification will be achieved.

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