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GENERAL

1. Yugoslavia believed willing to compromise on Trieste--US Ambassador Allen in Belgrade, in discussing recent reports that Yugoslavia would refuse to enter into negotiations involving a sacrifice of Trieste territory, expresses the opinion to the contrary that in conversations with Yugoslav officials, changes in the boundaries of the Yugoslav Zone of the Territory of Trieste have always been envisaged.

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2. Norway does not expect Soviet aggression--US Charge Villard in Oslo has been informed by Norwegian Foreign Minister Lange that information available to him does not indicate that the USSR is preparing any move which is likely to result in hostilities in the near future. Lange added, however, that the cold war "might be stepped up" in certain sectors.

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3. Views on Pacific association--The Department of State has informed Embassy Canberra that the US will watch with greatest sympathy the development of an association of Asiatic and Pacific countries designed to increase cultural, economic, and general cooperation in the area. The Department points out that to have any durable value such an association must have firm roots and indigenous motivation and comments that participation of such states as Australia and New Zealand would have the advantage of ensuring pro-Western orientation of any such association.

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EUROPE

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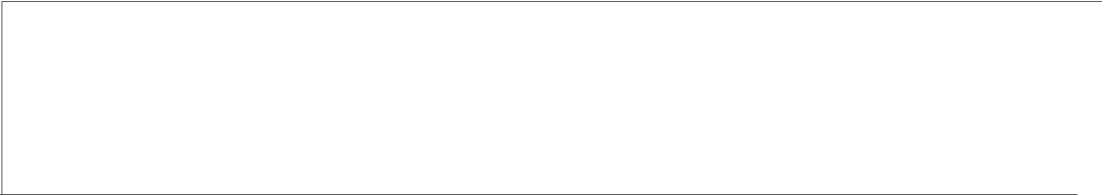
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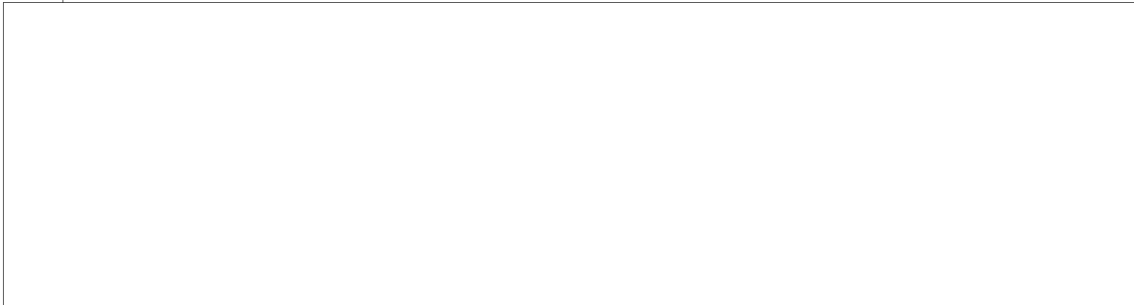
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5. GERMANY: McCloy suggests Western steps to counter USSR -- US High Commissioner McCloy in Frankfurt reports that there is increasing evidence that a persistent and formidable effort will be made by the USSR during 1950 to gain heavy advantages in Berlin, "if not to take over the city." To counteract Soviet pressure, McCloy suggests: (a) an immediate announcement by the ECA nations that they are prepared to increase their purchases in Berlin; (b) the institution of an increased US public works program in Berlin to reduce unemployment and bolster morale; and (c) designation by the Bonn Government of Berlin as a "distressed area" and the speed-up of relief measures by the West German Republic. McCloy reports that the Allied Council has agreed to reinforce Western troops in Berlin against a possible emergency in connection with the Free German Youth rally scheduled for May 1950 and to undertake a further recruitment of local police. In discussing the over-all German problem, McCloy also expresses the view that the West runs "very serious risks" in allowing the USSR to pose as the champion of German unification. McCloy adds that in an effort to launch a



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counteroffensive to Soviet propaganda, he is making a statement that a major US objective is the unification of Germany on the basis of political freedom.

(CIA Comment: CIA concurs with McCloy's estimate of the urgent need for taking counteractions to offset Soviet pressure on West Berlin.)

NEAR EAST-AFRICA

6. PALESTINE: Israel-Jordan non-aggression pact--US Ambassador McDonald in Tel Aviv has been informed by an Israeli Foreign Office spokesman that Israeli and Jordanian representatives have initialed an "agreed set of principles" as a basis for a five-year "friendship and non-aggression" pact. According to the Israeli spokesman, the "agreed principles" include a joint Israel-Jordan guarantee of access to and freedom of the Holy Places, continuance of present armistice lines, and initiation of normal commercial intercourse between the two countries. McDonald adds that another meeting is to be held 28 February, with the two parties meanwhile going ahead with preparation of a final draft to be agreed on and signed a few days later.



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