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**CONFIDENTIAL** E T

**GENERAL**

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1. French estimate of situation inside Communist China--  
 The French Foreign Office has passed along to US Embassy Paris a recent report on the Chinese Communist internal situation by French Military Attache Guillermax who recently left Nanking and has just arrived in Hong Kong. According to this report, the internal situation in Communist China has "profoundly changed," both from the morale and economic standpoints, and the Chinese Communists have abandoned the "primary task of reconstruction" in order to adopt measures putting the country on a war footing. US economic measures have obviously hurt industry, particularly in Shanghai, but they are not sufficient to change the "present situation." Police control is extremely strict and there is no internal danger to the regime. Although certain divergencies exist among Chinese Communist Politburo leaders, the absence of purges or resignations among those leaders provides evidence of a unity of views. Chinese Communist military-diplomatic successes in the first action beyond Chinese borders in a hundred years appeal to nationalistic instincts and pride.

The French Military Attache makes the following estimates concerning Chinese Communist foreign policy:

- (a) China will not be able for a decade or more to rid itself of Soviet pressure and influence in foreign affairs;
- (b) China's economic weakness and relative military weakness in "modern war" permits the USSR to take advantage and strike at Western interests in Asia; and
- (c) Chinese initiative is gradually adapting itself to the "rhythm desired" by the USSR in relationship to the whole world situation, not merely the Far East.

State Dept. review completed

- 1 -

Document No. 023  
 NO CHANGE in Class.   
 DECLASSIFIED  
 Class. CHANGED TO: TS S **(C)**  
 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3 APR 1978 By:

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T O P S E C R E T

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2. Tito's views on world situation--US Ambassador Allen in Belgrade reports that in a discussion between Tito and US Congressman Kennedy concerning collective security measures and the reluctance of the Yugoslav and other governments to support such measures in Korea, Tito said that collective security is a world-wide problem which might fail if undue effort is expended in peripheral areas. Tito expressed his confidence that general war would "inevitably result" from Soviet aggression against any independent European nation, whether covered by the Atlantic Pact or not; he said he was confident that the Western Powers would not be foolish enough to let Yugoslavia, Finland, or any other country be overrun by the USSR. Tito stressed the vital importance of Yugoslavia's strategic position and the fact that the Yugoslav Army would fight. He said he does not expect an attack on Yugoslavia this spring but he is "no prophet." He emphasized that in case of attack he would not need foreign troops, stating he could put at least two million men under arms, depending on the amount of equipment he could get.

Regarding a Big Four meeting, Tito said he was in favor of a meeting and he thought the German problem should be settled politically before Western Germany is rearmed. He did not specify his reasons but seemed to regard the rearming of Western Germany prior to a political settlement as dangerously provocative. When asked whether the West should negotiate with the USSR until it is stronger, Tito replied that the USSR was well aware of Western ability to fight a long war and would respect Western strength.

- 2 -

**CONFIDENTIAL**  
T O P S E C R E T

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EUROPE

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3. FRANCE: Communist "fizzle" no sign of weakness--  
US Embassy Paris expresses the opinion that it would be "grossly misleading" to interpret the Communist demonstration over General Eisenhower's visit as a major setback for the Communist Party. Although from a numerical standpoint the demonstration "obviously fizzled badly," the Embassy points out that industrial workers were notably lacking from the display. Whether as a result of the government's effective show of force or not, the Embassy believes the Communists decided not to commit their cadres in any all-out demonstration at this juncture and that therefore the demonstration may not be regarded as an honest test of Communist strength. On the other hand, the Embassy states that the demonstration offers extremely encouraging evidence that the French Government has both the will and capability of taking rapid effective and energetic action against the Communists when the occasion warrants.

NEAR EAST-AFRICA

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4. IRAN: Grady proposes removal of US women and children--  
US Ambassador Grady proposes, in view of "increasing tension" in the international situation and the difficulties and dangers attending any emergency evacuation, to effect a "quiet decrease" in the number of women and children in Tehran. Grady says he realizes the necessity of avoiding both hysteria in the American community there and the political implications of any announced Embassy policy showing a lack of US confidence in the local government or a fear of imminent war, but he desires authorization to evacuate the dependents of Embassy personnel "at their request."

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TOP SECRET

FAR EAST

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5. INDOCHINA: Possible French deal with Viet Minh--The British Charge at Saigon, according to a report transmitted by US Embassy London, believes that French High Commissioner de Lattre is thinking of negotiating with the Viet Minh. De Lattre's purpose, in the view of the British Charge, would be to gain time to strengthen his position against the possibility of Chinese attack. The Charge also considers that de Lattre hopes, by going slow in his military campaign against the Viet Minh, to encourage the Chinese not to intervene. De Lattre is reported to have said he could retake Langson but he does not wish by so doing to run the risk of forcing the Chinese to intervene. The Charge is uncertain what de Lattre would be prepared to offer in negotiations with the Viet Minh, believing he has not yet had time to think through the problem, but reports a rumor that a condominium may be contemplated for the areas of Indochina north of the 16th Parallel. The purpose of such an arrangement would be to keep the Chinese out, prevent the Indochinese Communists from gaining control, and keep French troops in the area. Indicating that a further purpose would be to detach the Viet Minh Nationalists from Ho Chi Minh, the Charge comments that prospects are poor for this because: (a) Communist control is too strict to permit such negotiations; (b) the continued presence of French troops would be an insuperable obstacle; and (c) a more nationalistic government than that of Bao Dai would be required to attract the Nationalists.

- 4 -

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