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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. French favor relaxing East-West trade restrictions:

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the French delegation at the Paris Deputies' Conference proposed to the UK delegation that, even if a Conference of Foreign

Ministers fails to produce an agreement, a modus vivendi be sought with the East which would involve the "normalization and liberalization" of trade between East and West Germany. It was argued that this would eliminate the "present strong incentives for illegal trading." The economic adviser to the British High Commissioner in Germany was reported to have vigorously counseled the UK delegation in Paris to oppose any relaxation of restrictions, pointing out that East-West trade serves to increase the armament potential and enhance the self-sufficiency of the Soviet bloc.

Comment: The French proposal would undo the progress made so far by the West German Government in cooperating with the West in this matter, and would nullify all Western export control measures in Germany. Moreover, despite the admittedly huge illegal trade in Germany, a much larger volume of trade is being effectively blocked.

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FAR EAST

3. Japanese Premier shaken at MacArthur's dismissal:

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US Political Advisor Sebald reports that when Japanese Premier Yoshida was advised of General MacArthur's dismissal, he was "visibly shaken" and stated that

the General's departure would come as a "tremendous shock" to the Japanese people. Yoshida told Sebald that he attributed the retention of the institution of the Emperor to the General's influence. When Sebald stated that he personally hoped that the Cabinet would not feel that the rule of traditional "responsibility" should be applied in this case and would instead carry on during the initial period of General Ridgeway's take-over, Yoshida assured him that it would do so. Yoshida stated that the Emperor and the Cabinet would be "greatly heartened" to learn that the US cooperative policy toward Japan and toward the question of a peace treaty remains unchanged.

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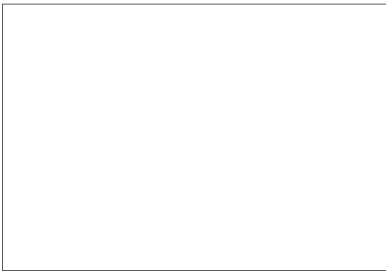
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NEAR EAST

4. Further developments on the Syrian-Israeli dispute:

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According to US Ambassador Davis in Tel Aviv, US representations on the Syrian-Israeli border dispute have had some effect on the course of events, but this has been off-set to some extent by the unwillingness of the Israeli Government to make concessions. Commenting on the partial mobilization of Syrian troops along the frontier,

Davis stated that several tanks have reinforced the Israeli defense forces which are consolidated west of the Lake Hule-Tiberias region. Meanwhile, General Riley, Chairman of the Mixed Armistice Commission, has informed the US UN delegation in New York that the Israelis violated the armistice agreement by having armed police in the El Hamma region last week and that the Israelis should not have pushed ahead with the Lake Hule drainage project without prior agreement from the Syrians and local Arabs.

Comment: The succession of border incidents last week along the Syrian-Israeli frontier has considerably aggravated the tension between the two countries in spite of the attempts of the US, UK, and France to restrain both sides. Israel's adamant position in the controversy, the unstable political situation in Syria, and the hostility of the Arab States generally toward Israel are factors which will make it increasingly difficult to prevent border clashes in the future.

EASTERN EUROPE

5. Reported Greek proposal to partition Albania clarified:

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US Ambassador Peurifoy reports that Greek Prime Minister Venizelos has clarified a previous report about an alleged Greek-Yugoslav plan for partitioning Albania. Venizelos stated that when the Yugoslav Minister in Athens questioned him

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regarding Greek action if war were to break out in the Balkans, he suggested that the two countries should prevent an attack from the rear by undertaking simultaneous offensives against Albania. Venizelos explained that his remarks applied exclusively to military tactics in the event of a Soviet-initiated war in the Balkans, and emphasized that he had not meant a political partition of Albania or military action initiated by Greece or Yugoslavia.

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Ambassador Peurifoy also reports that

[redacted] is convinced, [redacted] that Yugoslavia now wishes at least a basic military understanding with Greece and Turkey. According to [redacted] expressed the opinion that the three countries should now agree on what forces they would put into the field in the event of a Balkan war, but made no concrete suggestion for implementing this idea.

Comment: Believing that an independent and Western-oriented Yugoslavia would hinder a successful Soviet-inspired invasion of Greece from the north, Greece has consistently supported Western efforts to tie Tito more closely to the West. Yugoslavia has thus far resisted Greek overtures regarding military cooperation, but it may be revising this position because of heightened concern over the possibility of a Satellite attack.

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WESTERN EUROPE

6. Considerable disagreement evident as final Schuman Plan talks opened:

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The Foreign Ministers of the Schuman Plan countries met on 12 April to clear up the remaining problems before signature of the draft treaty. While Monnet, the real author of the Plan, entered the conference "still guardedly optimistic," his uncertainty was obvious and his advisers were professedly expecting trouble. German negotiator Hallstein was reportedly pleased with the tentative compromise that had been reached on the Saar issue, but sharp disagreement was evident among all the participating countries with respect to the composition of the High Authority, national voting strength in the advisory Council of Ministers and the location of the coal-steel pool's

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capital. In talks with Monnet, Belgian Foreign Minister Van Zeeland has intimated that he will raise at least two questions not on the agenda, one of which -- a provision for future re-examination and perhaps renegotiation of the treaty -- Monnet fears may lead to "serious difficulties."

Comment: Disagreement to this extent in the final conference was to be anticipated, inasmuch as basic decisions determining the voice to be allotted to each participant were deferred in mid-March in order to gain the publicity advantage of having the treaty at least initialed. Van Zeeland's critical attitude is probably sincerely based on the Belgians' misgivings that their high-cost coal industry will suffer disproportionately under the Plan.

7. Crypto-Communists may acquire new press organ for peace campaign:



The US Embassy in Paris has reported information pointing to the possibility that Louis Dolivet, editor of the United Nations World and a crypto-Communist associated

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with "neutralist" and fellow-traveler Pierre Cot, is taking steps to transform the independent leftist daily Combat (circulation about 75,000) into an organ championing the Communist line of disarmament and "neutralism." The Embassy asserts that Dolivet, who is now on Combat's staff, is eminently qualified for such a task. The Embassy explains that Combat recently carried three articles by Dolivet which were "carefully calculated... to create a general political atmosphere conducive to a slackening of the Western defense effort"; immediately thereafter, Combat featured an article by British pacifist Lord Robert Cecil, whose name and prestige Dolivet successfully exploited during the thirties as a cover for pro-Soviet activities. Furthermore,

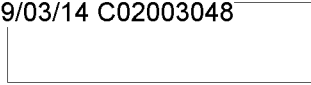
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[redacted] the wealthy owner of Combat is "tired" of managing a paper that loses six million francs per month and possibly would be willing to allow Dolivet to guide the paper's editorial policy in return for financial assistance.

Comment: The influential independent Le Monde has been the only non-Communist Paris paper to follow a fairly

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consistent policy of "neutralism," although most Paris dailies, including the pro-government Figaro, have occasionally leaned in that direction. Inasmuch as Combat has not heretofore been clearly identified as Communist-controlled, the Communists may well intend to use it as a means of exploiting leftist "neutralist" sentiment.

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