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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. British position on East-West trade meetings clarified:



A high UK Foreign Office official has insisted that, contrary to previous indications, the British Government is planning to participate fully in the preliminary

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Economic Commission for Europe meeting on East-West trade, scheduled for 20 August. The UK expects that this meeting will deal mainly with grain deliveries by the Soviet bloc, a matter on which the UK still seeks satisfaction. Should a general conference on East-West trade take place, however, the government would have to review its position. The British official explained that his colleague in Paris who had so strongly opposed the meetings "had not read his papers."

Comment: A gradual softening of British opposition to the tightening of Allied controls on exports of strategic goods to the Soviet bloc threatens the flow of raw materials to the UK from Eastern Europe. The UK is now concentrating its efforts on maintaining imports of certain key commodities, such as grain, in the face of this handicap, and in so doing finds itself to some extent opposed to the US.

USSR

2. Embassy Moscow's views on Molotov and Zhukov visit to Warsaw:



The US Embassy in Moscow considers the appearance of Molotov and Zhukov at the recent Polish holiday celebration indicates the Kremlin has reassessed the international situation. According to the Embassy, the setback to Communist aims in Korea can hardly fail to have repercussions inside the Soviet Politburo, and it is possible that new policies will be adopted in consequence.

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Molotov's reappearance as a spokesman on foreign affairs breaks a silence that has prevailed since his last speech in March, 1950. During this period public leadership in foreign affairs has been assumed by lesser Soviet figures.

Although Molotov's appointment as Foreign Minister in 1939 was soon followed by a break with the Western democracies, the Embassy points out that Molotov was also identified with the policy of achieving a settlement with the outstanding power then threatening the USSR.

The Embassy also considers it unlikely that Zhukov was produced only for a single appearance in Poland. He may be destined for some significant position, such as that of an Eastern European counterpart to Eisenhower. While Zhukov is identified with the idea of good relations with the wartime allies, he also epitomizes successful conduct of a war. The Embassy inclines to the belief that he will be involved in a build-up of Soviet military preparations in Eastern Europe.

3. Comment on appointment of new Soviet Minister of the Navy:

The appointment of Vice Admiral N. G. Kuznetsov to the post of Soviet Navy Minister, as in the case of the recent reappearance of Marshal Zhukov, marks the return from semi-retirement not only of a competent professional military man but also one previously known to be favorably disposed toward the West.

In 1948, Kuznetsov was one of four high-ranking naval officers court-martialed on charges of divulging military secrets during wartime. Kuznetsov was very cooperative in his wartime relations with the Allies; the officers involved in that trial were, significantly, accused of permitting information on German weapons to be passed to the British and Americans.

Prior to 1948 the new Navy Minister enjoyed a distinguished career. He was People's Commissar of the

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Navy from 1939 until the unification of the defense ministries in 1946, when he became Deputy Minister of the Armed Forces. During the period from 1939 to 1947, he was also Commander-in-Chief of the Soviet Navy. His demotion in January 1947 to Chief of Naval Training Establishments preceded his subsequent disgrace.

Evidence on the reasons behind both Kuznetsov's dismissal and his reinstatement is scant. He may have been dismissed because of opposition to unification of the armed forces, because of personal frictions, or because of his status as a non-political professional who had outlived his usefulness.

His reinstatement could spring from a need for professional, as opposed to political, naval leadership, or from the newly-hinted Soviet policy of "friendship" and "understanding" with the English-speaking world.

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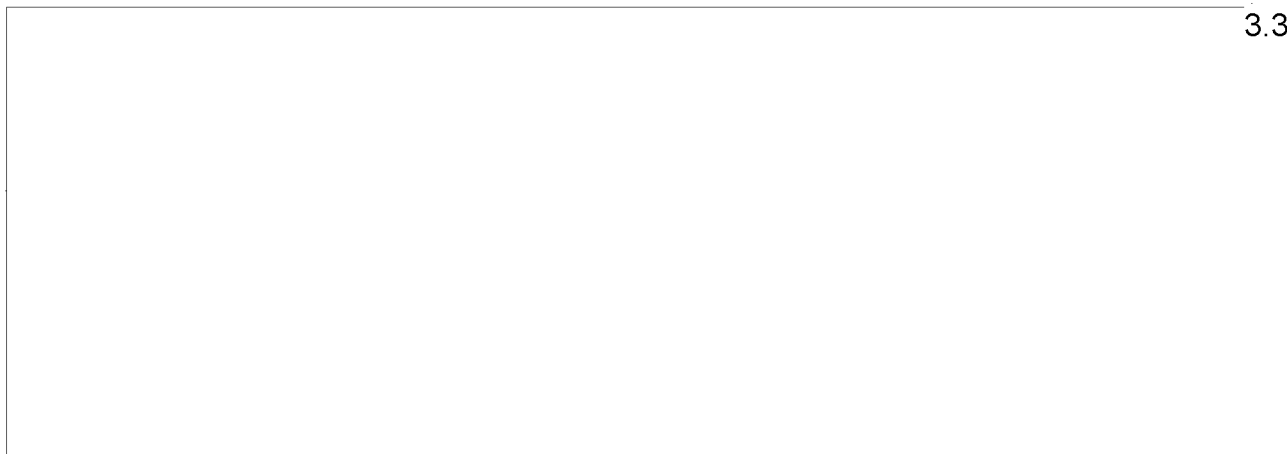
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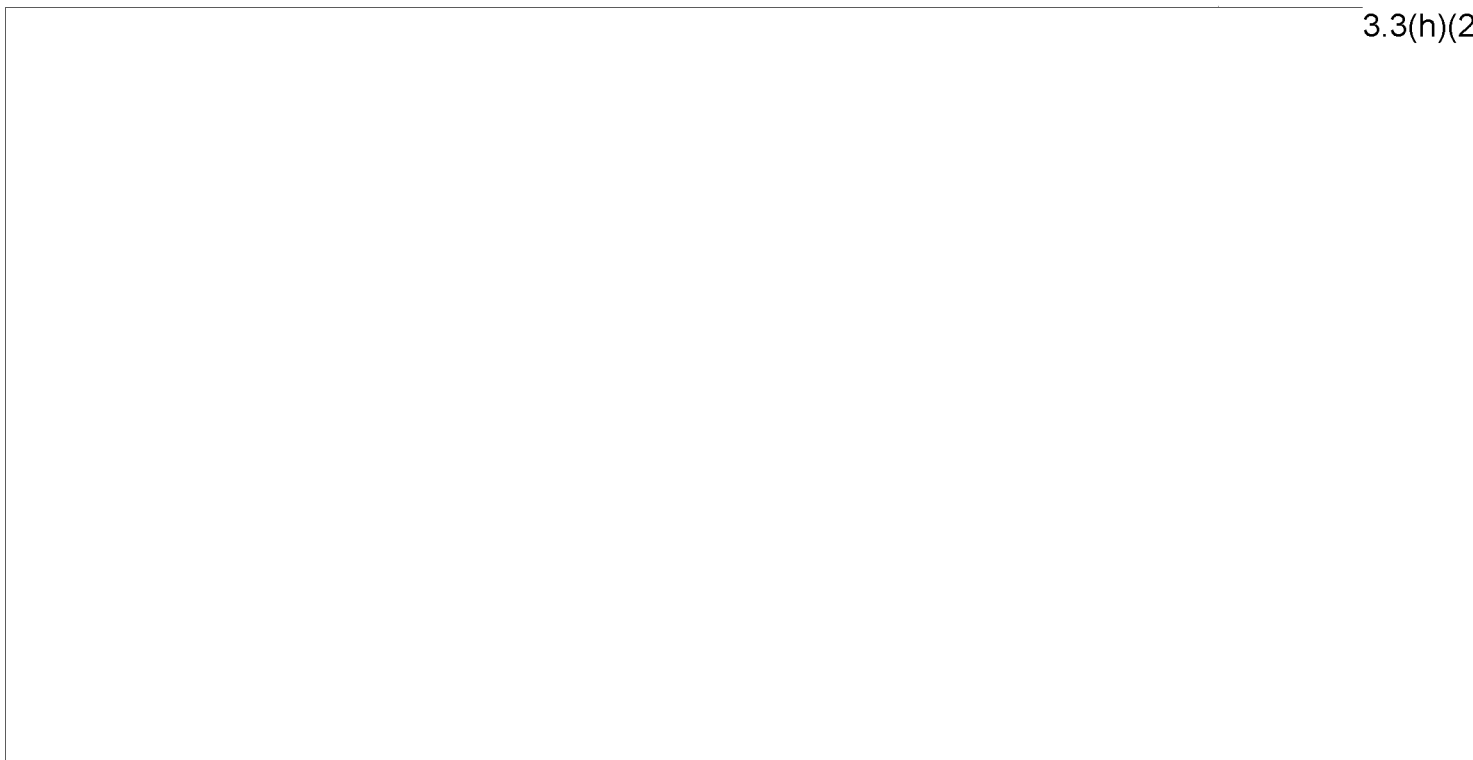
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7. Syria disturbed about future of Jordan:

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 The danger of an Iraqi-Jordanian union, with designs against Syria and encouraged by the British, is more acute since the death of King Abdullah, according to the Syrian Prime Minister. The Prime Minister considers that Prince Tallal should be king, and is disturbed by the haste in naming Naif regent. Syria stands for an independent Jordan that would work out its own destiny without any outside interference.

Comment: A union of Syria, Iraq and Jordan under his leadership was Abdullah's life-long ambition. In a limited sense, this paralleled the British long range interest in developing a strong, stable Arab Near East. With the Jordanian succession in doubt, there has been considerable speculation about the possible merger of Iraq and Jordan. Such a development, with the subsequent incorporation of Syria, would be popular with many

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people in the three countries. It would, however, be violently opposed by others, including the Israelis, who have expressed apprehension over the possibility of such a development.

EASTERN EUROPE

8. Molotov speech alarms Yugoslav leaders:

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High Yugoslav officials are concerned over the Molotov speech in Warsaw because they feel that it is the type of "soundoff" that may be expected if the USSR decides to attack

Yugoslavia. In a conversation with Ambassador Allen on 23 July, Tito alluded to this speech and emphasized his concern that the USSR would seek compensation elsewhere for its undoubted defeat in Korea.

Comment: Soviet propoganda attacks on Yugoslavia have recently reached an all time peak. There is no evidence, however, that a Satellite attack is imminent. Molotov's brief reference to Yugoslavia in his Warsaw speech, in which he stated that the Tito regime "cannot last long," appears to be more of a warning to Poland about what a Satellite should not do than a threat to Yugoslavia.

9. US Political Adviser recommends US policy shift on Trieste:

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The US Political Adviser in Trieste believes that the only possible solution to the Trieste issue is the definitive partition of the Territory along ethnic lines, whereby Italy

would receive practically all of Zone A and a substantial coastal strip in Zone B. Since neither Italy nor Yugoslavia would willingly accept such a solution, he recommends that the US radically change its current policy toward Trieste and exert pressure for an early Italian-Yugoslav agreement. He points out that, if an early definitive solution is not reached, the US must be prepared to accept continued and probably increasingly hostile agitation within Trieste and Italy and a stiffening Yugoslav attitude toward Italy.

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Comment: The US has officially favored the return of all of Trieste to Italy since March 1948, with the recommendation that Yugoslavia and Italy settle the issue bilaterally. While Yugoslav leaders have asserted their willingness to reach a bilateral settlement involving some slight rectifications of the Zone B border in Italy's favor, this would still not satisfy present Italian demands. The US Ambassador in Belgrade, noting the increased seriousness with which the Yugoslav Government has viewed recent Italian agitation, has been counseling the US against further involvement in the Trieste issue, which he claims can be settled by evolution.

WESTERN EUROPE



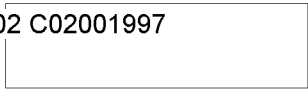
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