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1105

GENERAL

1. Views on Tito-Cominform rift--US Embassy Moscow, commenting on the curt Soviet note abrogating the Soviet-Yugoslav Mutual Aid Pact, expresses the view that it still further sharpens the Tito-Cominform conflict and its very shortness could be interpreted as designed to clear away legal obstacles to positive action. The Embassy, however, sees no reason for altering its basic estimate concerning the Kremlin's tactics to liquidate Tito by means short of direct military action. The Embassy hazards the guess that this latest Soviet action reflects both the Cominform's failure to goad Tito into taking the initiative in breaking relations with the USSR and the Kremlin's anger over Belgrade's forceful accusations following the Rajk trial in Hungary.

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1106

GENERAL

- 1. Bevin convinced USSR wants Austrian treaty--According to the US delegation at the Austrian treaty talks in New York, British Foreign Secretary Bevin has apparently become convinced in a private conversation with Soviet Foreign Minister Vishinsky that the USSR wants an Austrian treaty. Bevin reported that although Vishinsky's attitude was much more friendly than it has been in the meetings of the four ministers, he yielded very little on the principal points and evidently has been given no latitude concerning them. Vishinsky indicated that if the questions of oil exploration rights, pipeline, and rolling stock were cleared up, there might not be difficulty on the other articles; he said he would refer a western proposal on oil rights to Moscow.

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1107

GENERAL

- 1. Yugoslav views on urgency of Austrian treaty--Yugoslav Deputy Foreign Minister Bebler has strongly urged, in a conversation with US Ambassador Austin at the UN, that an Austrian treaty be concluded at the earliest possible date. The Yugoslav Minister declared that Yugoslavia is now solely interested in preserving its independence and is convinced that the Austrian treaty, with an agreement on the withdrawal of Soviet troops from Austria, would be of immense benefit in encouraging Yugoslav resistance to Soviet pressure. Bebler admitted that Soviet troops would not leave Austria immediately after the treaty was signed and that the USSR could find a pretext for not withdrawing its troops from Hungary and Rumania, but he expressed the opinion that the USSR would be reluctant at present to face UN criticism of such evasion of its treaty obligations. The Yugoslav official expressed the hope of his Government that the US will not be rigid in its attitude towards the economic clauses of the treaty because the dangers of no settlement are "far more serious."

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GENERAL

1. Estimate of current Soviet-Yugoslav situation--US Embassy Belgrade believes that recent Soviet-Satellite denunciations of their mutual aid treaties with Yugoslavia will not lead to a complete break in diplomatic relations between the two disputing groups, but considers it more likely that both sides will expel most of the others' diplomats and maintain only token representation. The Embassy considers that the Yugoslav position has not been weakened by these denunciations. The Embassy believes that this Soviet action has been aimed primarily at protecting the Cominform area from the influence of the Tito heresy, rather than at subverting the Yugoslav regime. The Embassy estimates that the Yugoslav reaction to the recent moves will be moderate because the Yugoslavs are determined not to be provoked into any rash action.

(CIA Comment: CIA agrees with this estimate.)

2. Views on Soviet note on Germany--US Embassy Moscow expresses the view that the 2 October Soviet note on the West German government represents more than a propaganda gesture and may be designed to lay the groundwork for a series of moves calculated to counter western progress in Europe and Germany and to advance the Soviet cause there. The Embassy suggests that even though the note itself gives no decisive hint as to what steps the Kremlin is planning, the USSR may consider this an opportune moment to regain the initiative on the German question and may by this action be laying the groundwork for the establishment of an East German government.

(CIA Comment: CIA believes that the Soviet note primarily represents a final protest for the record against the West German state prior to the early establishment of an East German government.)

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3. Comments on possible Syrian-Iraqi union--US Ambassador Bruce in Paris, in response to the Department of State's request for comments on a possible union between Syria and Iraq, expresses the belief that the French would be strongly opposed to any such move. According to Bruce, the French Foreign Office has constantly stressed the maintenance of the status quo in the Near East as a keystone of French policy and would undoubtedly interpret the union of Syria and Iraq as a further extension of British influence in the Near East at French expense. Bruce feels that at a time when the French are worried over US intentions concerning the UK on the one hand and Europe on the other, the US should not permit itself to be placed in a situation where it becomes directly involved in the deterioration of UK-French relations. US Embassy London expresses the opinion that the UK would benefit from a union of Syria and Iraq and that the British may even have been involved with the Syrians and Iraqis in exploring the feasibility of such a union.

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1109

GENERAL

- 1. Molotov reported handling Soviet internal problems --
 According to US Ambassador Jessup at the UN, Soviet Foreign Minister Vishinsky told British Foreign Secretary Bevin, in response to his query concerning the health of ex-Foreign Minister Molotov, that Molotov is now concerned solely with economic-financial problems and the rehabilitation of the Soviet economy.

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(CIA Comment: Confirmation of this report that Stalin's right-hand man is engaged solely with internal problems would point to an increased Soviet emphasis upon dealing with domestic and Satellite difficulties springing from Tito's defection and the present adverse position of the USSR in the cold war.)

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GENERAL



1. Belgian views on Soviet atomic preparedness - [redacted]

WAR-TS

[redacted] the Belgian General Staff now estimates the USSR will have "a substantial supply" of atomic bombs by 1952 and assumes the Kremlin will be able to risk war after that date. [redacted] the General Staff, which had previously regarded 1954 as the probable date for completion of a Soviet stockpile, revised its estimate following President Truman's 23 September announcement. The Belgian Staff reportedly has ordered an acceleration of the Belgian Army reorganization, the success of which, [redacted] will depend principally on military equipment.

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2. Embassy Moscow's views on Yugoslav SC candidacy --US

CIA-S

Embassy Moscow characterizes Soviet hints that the USSR will withdraw from the UN if the US continues to back Yugoslavia's candidacy for the Security Council as "typical Soviet blackmail." The Embassy discounts the seriousness of any Soviet threat to quit the UN at this time and expresses the view that such threats ought not influence the US position on the Yugoslav candidacy. The Embassy also warns against US acceptance of any deal involving supposed Soviet concessions on Greece.

(CIA Comment: CIA believes it wholly unlikely that the USSR would, by withdrawing from the UN as a consequence of Yugoslav election to the Security Council, throw away the tremendous advantages it now has as a UN member. CIA further estimates that Yugoslavia's failure to secure election would be a great blow to Tito's position, would weaken the appeal of Titoism, and would damage US prestige.)

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FAR EAST

1. CHINA: US attitude on recognizing Chinese Communists--

The Department of State, in response to an inquiry made to US Embassy New Delhi by the Minister of External Affairs for the Government of India, has authorized the US Ambassador in New Delhi to reply that the US Government believes there should be "no haste" in recognizing the Chinese Communist regime. The Department points out that in the past the US Government has engaged in frequent consultations with the Government of India and other friendly and interested governments regarding developments in China and expresses the expectation that such consultations will be continued in the future. In further explaining the US attitude regarding recognition of the Chinese Communists, the Department adds that it would assume that before giving serious consideration to recognition the Government of India would wish to satisfy itself that the Chinese Communist regime would fulfill the conditions generally accepted as the minimum for international recognition.

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1112

GENERAL

1. Possible British action on recognition of Chinese Communists--

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The Department of State has informed US Embassy London that it has received from the French Embassy in Washington a purported British reply to a note from the Chinese Communist regime. The Department expresses its concern over the nature of the British note, which appears to be a step toward recognition of the Chinese Communists. Emphasizing both Italian and French concern over a possible break in the western united front on the recognition question, the Department has instructed Embassy London to inform the British of the US belief that if the British intend to do more than acknowledge receipt of the recent note from the Chinese Communists, the question might properly be one for consultation between the Governments of the US and UK.

2. Hague Conference faces deadlock--US Representative Cochran

S-TS

at The Hague reports that the Round Table Conference will be hopelessly deadlocked unless the Netherlands is soon willing to accept a realistic financial arrangement with the Indonesians. Cochran warns that if the Dutch Cabinet resigns over any aspect of the Indonesian problem, the Round Table Conference will end and the Indonesians will, if necessary, unilaterally declare their sovereignty by 1 January 1950. Cochran also believes that another "police action" would be undertaken by the Indonesians rather than by the Dutch. Cochran points out that if the Dutch desire a legal transfer of sovereignty, they should treat the Indonesians like partners, rather than bad debtors, and should not deprive them of the financial support necessary to their existence.

(CIA Comment: CIA concurs in Cochran's analysis of the consequences of a Dutch failure to compromise on the financial aspects of the Union with Indonesia but does not believe a Dutch Cabinet crisis is likely until the financial question has been more thoroughly explored.)

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10 October 1949

IRAQI-SYRIAN UNION

After several weeks of negotiations, the Iraqi and Syrian Governments have [redacted] agreement outlining the procedure to be followed in effecting a political union between their two countries. The UK has been kept informed of these developments and has been requested by the Iraqi and Syrian Governments to determine the attitude of the US toward the projected union.

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Although unification of the two countries would theoretically reduce instability in the Arab world and thus serve US-UK security interests in the area, it seems unlikely that the proposed merger can be carried through at this time without a seriously disruptive effect throughout the Near East. Despite apparent British support for the plan and the inchoate yearning of Arab nationalists for unity, an Iraqi-Syrian Union would be faced with complicated practical obstacles which neither of the two parties appears capable of overcoming successfully. In Syria, particularly, the plan would probably meet with considerable opposition: from the army, which is shot through with factionalism as a result of the two recent coups; from young ultra-nationalists; from certain powerful Damascus political leaders, who would naturally dislike Damascus to be relegated to a subordinate position vis-a-vis Baghdad; and from the large element in the population which is deeply distrustful of the British and would consider the plan a manifestation of British imperialism. Sentiment in Iraq would probably favor unification. Even there, however, anti-British feeling exists, and the necessity for reviewing the potentially explosive question of the Anglo-Iraqi treaty might provide a major stumbling block to implementation of the merger plan.

An attempt at Iraqi-Syrian union would also arouse grave misgivings and considerable opposition among the other Arab states. Saudi Arabia's old worries about Hashimite

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aggression would be intensified; Egypt would fear for its dominance in the Arab world; Lebanon, with its half-Christian population, would fear engulfment by the enlarged Arab state on its borders; and even Jordan would be antagonized by the plan to have Feisal II of Iraq rather than King Abdullah as head of the enlarged Hashimite state. Israel would almost certainly oppose the new development as increasing Arab military potential and might well peremptorily settle by military occupation its current boundary dispute with Syria. France would also oppose the union as representing an expansion of British influence into Syria which the French have always considered their own sphere.

Under these circumstances, steps toward economic union would appear to offer the two Governments a less risky method of attaining their objectives and would permit more orderly progress toward greater stability in the Near East. A slow but steady strengthening of economic ties between the two countries would not only confer direct benefits upon the area but, by establishing a greater community of interests, would facilitate the eventual establishment of political union.

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GENERAL

- 1. British acknowledge sending note to Chinese Communists --
 US Embassy London reports that a member of the UK Foreign Office has readily admitted a note was dispatched to the Chinese Communist regime with the intent of establishing informal relations between British officials in China and the Central Peoples' Government. The Foreign Office official agreed privately that the note is tantamount to de facto recognition of the Communist regime but expressed the view that the US-UK agreement on this subject calls for prior consultation between the two Governments only when de jure recognition is involved.

S/S

EUROPE

- 2. NETHERLANDS: Possible Cabinet crisis over Indonesia --
 US Charge Steere has expressed the view, following an interview in which Foreign Minister Stikker declared the Dutch Cabinet feels impelled to resign over the Indonesian question, that the Cabinet will not resign at this time unless a bad press leak should give rise to public furor or the negotiations at the Hague Round Table Conference should take a turn for the worse. Concerning Dutch differences with the Indonesians over a financial settlement, Stikker said it ought not be surprising if the Dutch Government, whose resources have been drained by financing Indonesia since 1945, felt unable to recommend a further "staggering sacrifice." Steere concludes that Stikker is hopeful that US compromise proposals will save the day.

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1114

GENERAL

1. British views on Soviet-Tito conflict--According to US Embassy London, the present estimate of the British Foreign Office concerning the Soviet-Tito conflict is that: (a) the USSR is increasingly impatient with the continuance of the Tito regime despite the Soviet Union's estimate that time is on its side; (b) the Kremlin has been forced by the failure of its economic and political pressure against Tito to make new plans and will attempt to instigate armed rebellion against Tito's Government, stopping short, however, of direct action by the Soviet Army; (c) direct military action by the Soviet Army is possible at a later date, if this planned rebellion fails, unless the USSR becomes persuaded that the invasion of Yugoslavia would start a general war for which the Soviet Union is probably unprepared; and (d) although the Yugoslav economic situation is worse than previously estimated, only direct Soviet military action can overthrow Tito if he can survive the winter.
2. Views on proposed joint board for Trieste--US Ambassador Cannon in Belgrade expresses the view, regarding the difficulties of obtaining Yugoslav collaboration in a proposed joint US-British-Yugoslav consultative board in the Free Territory of Trieste, that the Yugoslavs are not prepared at present to offer genuine cooperation in such an enterprise and their participation in such a board is highly unlikely. Cannon believes that Yugoslavia would not grant the western powers an effective voice in the Yugoslav Zone without demanding "extravagant rights" in the Western Zone. He adds that Tito's present position with the Cominform and with his own party is such as to cause him to hesitate a long time before embarking on so "tangible an adventure of collaboration" with the West.

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1115

GENERAL

1. Soviet-led insurrection against Tito predicted--US Embassy Paris transmits information from a source in contact with Balkan Communists in Paris that a Soviet-inspired insurrection against Tito will take place "within one month." According to this prediction, Yugoslav elements intend with the aid of Hungarians and Soviet technicians to initiate guerrilla warfare along the Hungarian-Yugoslav frontier; simultaneously, an "internal" insurrection reportedly will take place in Yugoslavia, the preparations for which would be made in Hungary.

CIA-5

(CIA Comment: The possibility is growing that the Kremlin will use stronger measures against Tito because present Soviet efforts are proving unavailing, but CIA is dubious about this prediction in the absence of any confirmation of more reliable origin.)

2. US views on political status of Berlin--The Department of State has advised US High Commissioner McCloy in Frankfurt of its view that the western powers should take "immediate and unmistakable" action to relieve the anomalous position of west Berlin if the Soviet-sponsored east German republic locates its capital in Berlin. The Department considers that the West should lift the present ban on the incorporation of Berlin into the Bonn Government and then permit the Germans to work out the Berlin problem. The Department has further advised McCloy that it is not impressed by the argument of the French Foreign Office that to change the political status of Berlin would be to undermine the legal basis for the presence of the western powers in Berlin.

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GENERAL

CIA-S

- 1. British election postponement held unfortunate--US Embassy London comments that the British Cabinet's decision not to hold a general election in 1949 is unfortunrate. The Embassy fears that the Government may not have the courage to undertake urgent economic measures between now and the election because political considerations will probably color the Government's action. The Embassy indicates that although most UK Cabinet ministers favored an autumn election, the original plan of Attlee, Morrison, and possibly Bevin, not to hold an election at this time prevailed.



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15 OCT 1949

1117

GENERAL

1. Effects of delay in Hague Conference on Indonesia -- US Representative Dow in Batavia expresses the view that any undue delay in reaching a settlement at the Hague Conference on Indonesia would play into the hands of the Indonesian elements who criticize the Hatta Government for pursuing a policy of peaceful negotiation with the Dutch. Dow transmits a report from a Republican leader that critics of the Government are becoming more vocal and that the Republican Army is becoming more impatient. Dow indicates that considerable sentiment exists within the Republican Government for adjourning the Hague Conference and continuing it in Batavia. Meanwhile, US Embassy The Hague transmits the view of an Indonesian spokesman that the mounting impatience of the Republican Army is aggravated by a seeming lag in the Hague Conference.

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(CIA Comment: CIA estimates that the Hague Conference can reach a conclusion within a short time after a financial settlement has been agreed upon by the two parties. Recent reports indicate that favorable progress is being made toward such a settlement.)

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1118

GENERAL

1. Indonesian Republicans reportedly hand "ultimatum" to Dutch--
Dutch Representative Lovink in Batavia has informed US consular
officials that he has received from the Republican Minister of
Defense a "virtual ultimatum" demanding that Dutch forces begin
to withdraw from the countryside in Java and concentrate at local
administrative centers. According to Lovink, the Republican
Defense Minister said that his Government could not be responsible
for the avoidance of serious incidents if the Dutch failed to comply
with this demand. Lovink, in turn, stated that the issue was "too
basic" to be dealt with by local representatives of the UN Com-
mittee for Indonesia and has referred the Republican demand to
the Netherlands Government.

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(CIA Comment: CIA does not believe that either the Dutch or Republican governments will sanction organized military operations unless a complete impasse is reached at The Hague. Meanwhile, scattered outbreaks of violence in Java can be expected.)

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GENERAL

1. West Germans oppose Berlin annexation at present--Chancellor Adenauer has informed US High Commissioner McCloy that leaders of the German Federal Republic believe Berlin should not for the present be incorporated into the Republic. Adenauer is in favor of limiting the action his Government takes concerning Berlin to the extension of financial aid and to opening Berlin branches of Bonn Government ministries. McCloy assured Adenauer that the US would not press for the annexation of Berlin if the Germans do not want it. McCloy declared, however, that the US does want to give unequivocal evidence of western support of Berlin and indicated that High Commission meetings might occasionally be held in Berlin for psychological purposes.

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GENERAL

1. Bevin fears adverse UN decision on Libya--The Department of State has been informed by the British Ambassador in Washington that Foreign Secretary Bevin has expressed his alarm that the Italian colonies issue is "getting out of hand" in the UN General Assembly. Bevin fears that a GA decision to establish a closely unified Libya would frustrate the conclusion of the desired Anglo-Cyrenaican treaty on defense arrangements; he also believes that GA appointment of an advisory council or high commissioner would be contrary to these British aims. Bevin has voiced these fears to US Ambassador Douglas in London and has declared that if the GA should reach such a decision, the UK would withdraw entirely from all the former Italian colonies. In criticizing the US position in this matter, Bevin pessimistically predicted that in five years "the Russians would be in both the Middle East and the former Italian colonies."

CIA-5

(CIA Comment: CIA believes that Bevin's concern over the possible frustration of British strategic aims in Cyrenaica is genuine but doubts that the UK would actually withdraw from the Italian colonies under the circumstances described.)

2. Dutch want SC advised of Indonesian situation--US Representative Cochran in The Hague reports that the Dutch Government, believing that a grave situation now exists in Indonesia, has requested that the situation be brought to the attention of the UN Security Council. Cochran has urged the Dutch not to take such action, expressing the belief that the situation is "more critical than usual but not hopeless." Cochran reiterates his view that the Dutch Government should agree on a financial settlement with the Indonesian Republicans, thus enabling the Hague Conference to end successfully within the next few days.

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3. US attitude toward proposed Syrian-Iraqi union--The Department of State has informed British representatives, concerning a possible Syrian-Iraqi union, that the US would not oppose a union of peoples responsive to their freely expressed will but would disapprove the use of force or intervention to accomplish such union. The Department adds, however, that the US is reluctant to adopt an attitude favoring, acquiescing in, or disapproving the proposed union in advance of open and constitutional discussion of the matter in Syria and Iraq and before the Syrian and Iraqi Governments have consulted with other countries which may feel themselves affected.

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1121

FAR EAST

1. INDONESIA: "Cease-fire" tensions apparently eased--The US Consul General in Batavia observes that the recent flareup between the Dutch and the Republicans in Indonesia apparently has calmed down. The Republican Minister of Defense has informed the Consul General that no incidents occurred on 18 and 19 October and has expressed the view that the military situation can be held in check on both sides. The Consul General has also stressed to President Sukarno, who had complained of being under great pressure because of delay at the Hague Conference on Indonesia, the need for patience at this time and the particular importance of preventing local incidents.

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GENERAL

1. US views concerning UN impasse on Eritrea--US Ambassador Jessup in New York has expressed deep concern over the developing situation in the UN concerning Eritrea, indicating his belief that the "unreasonable attitude" of the Italians is blocking any solution, particularly because of the Italian grip on the Latin American delegations. In transmitting Jessup's view to US Embassy Rome, the Department of State has requested that strongest representations be immediately made to Italian Foreign Minister Sforza if the Embassy judges there is any possibility of changing the Italian attitude. The Embassy is to point out that UN failure to agree on Eritrea would endanger prospects of any Somali and Libyan solution, thus greatly decreasing chances of achieving any satisfaction for Italy.

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2. US Greek aid policy not changed--The Department of State has informed US Embassy Athens that Secretary Acheson's recent press statement regarding reduction of the Greek armed forces does not represent any change in US policy inasmuch as the US had always looked for such a reduction when guerrilla operations had ceased. The Department adds that the US does not intend to take hasty or drastic action without prior consultation with the Greek Government, but will nevertheless press vigorously for the elimination this year, as originally planned, of the National Defense Corps of 50,000 men.

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GENERAL

- 1. US-UK views on Italian Colonies question--US Ambassador Jessup in New York reports that the British delegate to the UN, in a review of all aspects of the current status of the Italian Colonies question, apparently agrees with the US that:
 - (a) the present sub-committee draft on Libya will present no obstacle to the attainment of an Anglo-Cyrenaican defense treaty;
 - (b) the original US proposal regarding Eritrea has not the slightest chance of being approved;
 - (c) the US compromise proposal for Eritrea is probably the only solution short of postponement which could receive General Assembly approval and at the same time be acceptable to Ethiopia; and
 - (d) a two-thirds majority vote in the Assembly for Italian trusteeship for Somaliland hangs on the thinnest of margins.

(CIA Comment: CIA believes that in view of Foreign Secretary Bevin's strong belief that the present sub-committee draft on Libya would be prejudicial to British objectives in Cyrenaica the British may not support the present text when it comes up for vote in the full committee.)



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GENERAL

- 1. Chinese Nationalist troops may enter Indochina--The US Charge in Chungking has been informed by President Li's adviser that elements of Ho Chi Minh's Indochinese forces have entered Kwangsi Province at the request of the Chinese Communists. According to the informant, Nationalist General Pai Chung-hsi, whose armies defend Kwangsi, is "considering" not only ejecting the invading Indochinese resistance forces but also pursuing them across the border. In this connection, President Li has asked the US to obtain French permission for the entry of Pai's forces into Indochina. The US Charge expresses the belief that Li's request is designed to provide Pai's forces with a legal means of escape from China.

(CIA Comment: CIA has no evidence indicating recent violation of the Kwangsi frontier by Indochinese resistance forces and does not believe that Chinese Communist forces in South China need assistance from Ho Chi Minh. CIA concurs with the US Charge that President Li is attempting to pave the way for the withdrawal of Pai's troops from China.)

NEAR EAST-AFRICA

- 2. JORDAN: Decision to proclaim annexation of Arab Palestine--
The US delegation at the IIN has learned [redacted] that King Abdullah and the Jordan Government have decided to proclaim the annexation of Arab Palestine on 1 January 1950. [redacted] the UK approves the idea of annexation and would probably extend the terms of the UK-Jordan defense treaty to the new territory. [redacted] bduallah might not go ahead with the plan if the UK should refuse to extend the treaty.

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GENERAL

- 1. UK favors early end to German dismantling--According to US Ambassador Douglas in London, the UK is now in favor of a downward revision of the present dismantling program in Western Germany on a selective basis and even favors the fixing of an early cut-off date for dismantling. Douglas considers it quite possible that the British will suggest another meeting on the German problem by US, UK, and French foreign ministers before the end of the year and that, meanwhile, the British will press for a slowdown in dismantling. The Ambassador estimates that the new British attitude largely reflects concern over both the loss of British prestige in Western Germany and the incompatibility of continued dismantling with long-range western objectives in Germany.



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GENERAL

- 1. Aspects of East-West trade--In analyzing the over-all effects of western economic policies during a recent meeting in London, US ambassadors to the Soviet bloc countries expressed the opinion that western economic policies are already creating economic difficulties between Moscow and the Satellites and offer a major field for "further and better" western efforts. The ambassadors consider the present time to be particularly opportune for effective economic action by the West, largely because: (a) the Satellite economies have not yet recovered from war devastation, shortages, and forced economic re-orientations directed from Moscow; and (b) the Western European countries may be more willing to cooperate now than at some future date when pressures to find markets for expanded production will have increased. In regard to long-range economic policy, the ambassadors point out that Western Europe should seek to expand alternate sources of supply for essential items now obtained from the Soviet bloc and to develop new markets for products of Western Europe's heavy industries.

THE AMERICAS

- 2. COLOMBIA: Armed uprising reportedly imminent [redacted] has reported that there is imminent danger of a revolution in Colombia and that martial law will be declared shortly.

(CIA Comment: CIA estimates there is a probability that a state of siege, rather than martial law, will be declared. Although such a declaration will probably enable the present Government to prevent any armed uprising from reaching revolutionary proportions, sporadic violence resulting in serious destruction may occur.)

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GENERAL

1. US suggests steps to ease German dismantling problem--
 The Department of State has advised US High Commissioner McCloy in Frankfurt of its desire to reduce friction with the Germans caused by dismantling. The Department adds, however, that the US: (a) will not yield to German pressure where security considerations are involved; (b) cannot go back on its agreements with the British and French on prohibited and restricted industries; and (c) is determined to avoid the the implication that the US is bringing pressure on the British and French to retain plants in Germany. The Department suggests as practicable steps to reduce German irritation the discontinuance of dismantling in Berlin and limited dismantling of the Gelsenberg synthetic oil plant. (The UK has already informed the US of its desire to make a downward revision in the dismantling program, to set an early cut-off date for dismantling, and to apply pressure on the French to agree to these proposals.)

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GENERAL

- 1. Marshal Montgomery's views on Western European defense--
 According to US Embassy Brussels, Field Marshal Montgomery has informed a prominent Belgian industrialist and former Cabinet member that he could not be sure that the USSR would not attack after 1951. The Belgian source adds that Montgomery's antidote for the situation was a proposal to mobilize the manpower of West Germany and to incorporate it into Western Union and Atlantic Pact armies; Montgomery reportedly does not see how sufficient forces could be mustered otherwise to meet the Soviet divisions.

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EUROPE

- 1. BELGIUM: Spaak reportedly not required in Belgium--US Embassy Belgium expresses the view that Foreign Secretary Bevin's stress on the necessity for Spaak to stay in Belgium because of "royal question" and possibility that present Belgian Cabinet may be short-lived does not withstand analysis because: (a) Spaak himself is apparently resigned to the return of the King; and (b) Socialist militants admit that they cannot threaten serious civil strife if Parliament, as anticipated by US Embassy, approves a bill for solving the Leopold question through a popular referendum.

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GENERAL

1. GERMANY: Relations between East and West Governments -- US High Commissioner McCloy expresses the belief that western occupation powers may soon be forced to make a definite decision regarding the extent of de facto relations to be maintained with the East German Government. McCloy is especially concerned over the problems of railway administration in Berlin and communications between Berlin and West Germany and suggests, as the most acceptable procedure, that relations on operational problems be conducted through German channels. In commenting upon the value of such an arrangement, McCloy points out that the establishment of a West German Railway Administration in Berlin would strengthen Berlin's ties with Western Germany and confront Soviet occupation authorities with the same "recognition problem" which the western powers face in connection with the East German Government. McCloy adds that a pattern may thus be evolved from the resulting Berlin relations to cover all de facto relations between East and West Germany.

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1131

GENERAL

1. Schuman's German policy may meet Cabinet opposition--US Ambassador Bruce in Paris expresses the opinion that French Foreign Minister Schuman is now more ready than ever to give favorable consideration to modifications of the dismantling program in Germany's favor, but that he may not be able to gain the support of the Bidault Cabinet, the Assembly, and the people. According to Bruce, Schuman's views on German matters may not be as well received by the present Cabinet as they were by the Queuille Cabinet, when Schuman could always count on the loyal and effective support of the Premier. Bruce believes that the recent Cabinet crisis took place in a tense atmosphere sharply affected by the difference of opinion between: (a) those who agree with Schuman that close Franco-German cooperation is essential; and (b) those who believe that, at least until a peace treaty is signed, Germany should be treated as a conquered nation.

(CIA Comment: CIA believes that although French opposition to a modification of the dismantling program may increase in the near future, Schuman will eventually win support within the Bidault Government for a more conciliatory German policy.)

2. UK moving toward recognition of Communist China--According to US Ambassador Douglas in London, the UK Government has informed its representatives in the US, the Commonwealth countries and certain western European capitals of its decision to consult with friendly interested Governments regarding recognition of the Chinese Communist regime and has instructed the British representatives to obtain by 12 November the views of the governments to which they are accredited. The Government announcement, after summarizing the political and legal position of the UK in China, concludes that recognition should be

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accorded the Chinese Communists. In explaining the UK position, the announcement adds that: (a) recognition is necessary to protect British interests in China; (b) recognition would not suggest approval of the political theories of the Chinese Communists; and (c) no commitments can be obtained from the Communists prior to recognition.

FAR EAST

3. **CHINA: US views on Taiwan**--The Department of State has instructed US representatives in Chungking and Taipei to inform Acting President Li Tsung-jen and Generalissimo Chiang Kai-shek simultaneously: (a) that the US is concerned over the possibility of the chaos in mainland China spreading to Taiwan; and (b) that the US does not intend to commit any of its armed forces to the defense of Taiwan. The Department adds that the provision of any additional economic assistance to Taiwan will depend largely on the action of the present Chinese administration in improving the political and economic well-being of the people of Taiwan.

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GENERAL

S-TS

1. Anti-Tito "solution by arms" forecast--US Embassy
Paris transmits a report from a "reliable" source close to the Hungarian legation in Paris who states that further incidents will occur along the Yugoslav-Hungarian border in the near future. Source adds that the Hungarian Communist Party, together with a "special delegation of the new Yugoslav Communist Party" located in Hungary, would take a leading part in the action. Source also quotes an important member of the Hungarian legation in Paris as saying that a "solution by arms will be attempted in the Yugoslav question."

(CIA Comment: CIA believes that although the USSR will probably instigate further incidents on the Yugoslav-Hungarian border, as well as elsewhere on the Yugoslav periphery, Soviet armed action against Tito is unlikely in the near future.)

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NEAR EAST-AFRICA

- 1. JORDAN: Abdullah desires treaty with Israel--US Charge Fritzlän in Amman reports that during a recent conversation King Abdullah expressed a desire to bring about permanent peace in Palestine and to conclude a definitive treaty with Israel. Abdullah declared that, without the restraint of the UN and the Arab League, he could easily negotiate a satisfactory treaty with Israel. Meanwhile, US Consul Burdett in Jerusalem has been informed by the Belgian Consul General that Abdullah has already established direct communications with Israel and that the British are encouraging Israeli-Jordan talks. According to the Belgian Consul General, Abdullah desires peace with Israel so that he can devote his entire attention to preventing a Syrian-Iraqi union and to promoting a union of Jordan and Syria.

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1134



GENERAL

1. US seeks accord with UK on Libya --The Department of State has informed US Ambassador Jessup at the UN General Assembly that it approves US support of those British amendments to the subcommittee resolution on Libya which would enable the UK to obtain bases by agreement with Cyrenaica and would, at the same time, permit representatives of the people in the three Libyan provinces to decide on the form of their future union before the effective date of independence. The Department adds that US support for these amendments will be forthcoming provided the UK makes every effort to dispose of the Italian colonies question at the current GA session.

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GENERAL

1. British views on Japanese treaty--US Embassy London reports that Foreign Secretary Bevin told British press representatives during a recent off-the-record interview that the UK has completed its study of the Japanese peace treaty problem and hopes for a peace conference early in 1950. Bevin indicated a British preference that the conference, invitations for which will be issued jointly with the US, be held in Canberra. He further revealed a British plan to invite both the USSR and Chinese Communist representatives. Bevin said that if the Soviet Union and Communist China refuse to participate, the plan would be to proceed without them; he declared that the UK and the other powers "can't wait around indefinitely until the Soviets make their mind up."

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1136

GENERAL

5-75

1. British representatives favor Chinese Communist recognition--
 US Consul General Singapore transmits an account of the conference of top British officials in Singapore, according to which the representatives have advised the UK Government to extend de jure recognition to the Chinese Communist regime by the end of 1949, if possible. The report of the British conference indicates that British representatives in Southeast Asia recognize that such British action might facilitate Communist activity in Malaya and might discourage the new Bao Dai regime in Indochina, but they believe recognition to be nonetheless desirable from a general as well as a regional point of view. Indicating that this account of the Singapore conference was being given in accord with the US-UK agreement to have full consultation on the question of recognizing the Communist regime, one British official said that the British Cabinet's final decision would be made after the report of the conference had been received, together with the reports of British diplomats who have consulted with the US and other governments on the recognition question.

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GENERAL

1. USSR would gain from early Japanese treaty--US Embassy Moscow expresses the view that an early conclusion of a peace treaty with Japan would be less advantageous to the West than to the USSR. Assuming that such a treaty would provide for the withdrawal of allied occupation troops, the Embassy doubts whether the Japanese, faced with the psychological pressure of strong Soviet forces in the neighboring Far East, could resist Communist infiltration, propaganda, and revolution. The Embassy points out that communization of Japan would enable the USSR to control the strategic Japanese islands and extend Soviet power in the western Pacific, possibly as far as the East Indies and Singapore, thus jeopardizing the nations of Southeast Asia.

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1138

GENERAL

1. British views on Indochina--US Consul General Saigon has been informed by his British colleague that the common opinion of top British Far Eastern officials at the recent Singapore conference was that recognition of the Communist regime in China would have a serious impact on Indochina, where the present situation is deemed critical. Because UK officials were convinced that failure of the Bao Dai regime would inevitably result in Communist control of Indochina and the subsequent loss of both Siam and Burma, they have urgently recommended to the UK that the possibilities of British aid to Bao Dai be examined.

2. Nationalist reply to US statement on Taiwan--In response to a recent statement outlining the US attitude toward Taiwan, Generalissimo Chiang Kai-shek has informed US Consul General Taipei of his agreement with the US view that improvement of the well-being of the Taiwanese people will strengthen the security of that strategic island. Chiang explains that steps for such improvement are already being taken and points out that economic difficulties are secondary to the serious menace of a Communist invasion. In stressing the urgent need for strengthening Nationalist armed forces on the island, Chiang presented the Consul General with a detailed request for US aid, including "military assistance of a technical nature," which he hoped would prove to be within the scope of present US policy. Chiang concluded that if the US Government decides to meet these requests, the "fullest cooperation" of the Nationalist administration on Taiwan would be forthcoming.

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NEAR EAST-AFRICA

3. **IRAN: Views on Shah's trip to US--US Ambassador Wiley in Tehran expresses the opinion that the recent assassination of Minister of Court Hajir is "most serious from a domestic point of view" and that the situation in Iran is "extremely troubled." Wiley reports that the Shah is determined to visit the US, and, despite the disagreement of the UK Ambassador in Tehran, Wiley believes that the Shah should make the trip as planned.**

(CIA Comment: CIA believes that, with martial law established in Tehran, the Iranian Army is capable of maintaining order during the Shah's absence.)

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GENERAL

1. Embassy Moscow views on recognition of Communist China-- US Ambassador Kirk in Moscow has again expressed the view that, although hasty recognition of the Chinese Communist regime should be avoided, US policy should contemplate establishment of diplomatic relations as the situation develops. In support of postponing recognition, Kirk points out that: (a) important areas of China still remain outside Communist control; (b) the USSR has not yet questioned the authority of Chinese Nationalist representatives at the UN General Assembly; and (c) US recognition at this time, in the light of previous public statements, could be interpreted as acquiescence to British and other pressures. The ambassador adds that indefinite delay in extending recognition would "cede increasing initiative to Soviet policy" in China and suggests that the Baguio Conference (scheduled for early 1950), or a similar meeting of the free peoples of Southeast Asia, might provide the best occasion for simultaneous eastern and western recognition of the Chinese Communist regime.

S - TS

2. British military views on Far East--The US Military Attache in London transmits the opinion of the British Army Staff Chief, who recently returned from a Far East tour, that although the presence of British troops at Hong Kong stopped the Chinese Communists at the border, greater danger will arise when Communist armies reach the Indochinese frontier. The Army Staff Chief estimates that the Chinese Communist armies will reach the Indochinese border in about four months and expresses the view that the French deserve US and British support in their difficult position in Indochina.

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GENERAL

1. British views on Chinese Communist recognition--UK Foreign Secretary Bevin at the 10 November Council of Ministers meeting informed Secretary Acheson that the British are currently giving careful attention to the matter of recognizing the Chinese Communist regime. Bevin said that recognition must be accorded sooner or later, but certainly not before the General Assembly had disposed of the Chinese case or the Dutch had transferred sovereignty to the Indonesians. Bevin also said that Australia "did not want" recognition before the 10 December Australian elections. At the same meeting, French Foreign Minister Schuman expressed his concern over the impact on Indochina of the Chinese Communist advance and urged some immediate gesture by the US and UK in support of French policy and the Bao Dai regime. Bevin replied that the British would be willing to take steps in this direction only after the French themselves had taken further action.



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1141

GENERAL

1. Western policy on Germany--The Secretary of State transmits a directive which was agreed upon during the Paris conference with the UK and French Foreign Secretaries and which is aimed at establishing more normal conditions in Germany. Beginning with the statement that the occupation statute will remain in force until reviewed, the directive instructs the High Commissioners to prepare for a smooth evolution toward a 1950 program including: (a) admission of the West German Federal Republic to the Council of Europe as an associate member; (b) consideration of Germany for membership in other international organizations; (c) simultaneous admission of the Saar to the Council of Europe, providing that such action shall not affect its final status; and (d) the gradual establishment by the German Republic of consular and commercial representatives in foreign countries, and a bureau to coordinate the activities of such representatives. The directive also states that a committee of jurists will be appointed to examine the legal problems involved in ending the state of war and concludes that the western nations, including the Federal Republic, should avoid as far as possible any action implying de facto or de jure recognition of the German Democratic Republic in the Soviet zone.



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24746

1142

GENERAL

1. Possible Nationalist reshuffle in Taiwan--US Consul
 General MacDonald in Taipei reports a conversation with K.C. Wu, the ex-mayor of Shanghai, in which Wu commented that General Sun Li-jen's actions in Taiwan were being hampered by the "old generals" and by Governor Chen Cheng in particular. Remarking that Chen Cheng should be replaced, Wu said that he would be willing to assume the governorship, if necessary. MacDonald suggests that the stage thus appears to be set for the selection of a new governor, if the US cares to make such a suggestion, and adds that, even without the immediate addition of other US aid, a combination of Wu as Governor and Sun as military commander, together with the appearance of US military advisors, probably would instill new life and hope among the increasingly defeatist Taiwanese and Chinese.

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(CIA Comment: CIA believes that no action, short of US armed occupation, can prevent eventual Communist control of Taiwan.)

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1143

24747

GENERAL

1. Dutch High Commissioner's views on Indonesia and Far East-- S/TS

The US Consul General in Batavia transmits the opinion of Dutch High Commissioner Lovink that although the transfer of sovereignty to the Indonesians and the establishment of a new government can be accomplished without disorders, long-term prospects for Indonesia are less promising. Lovink told the Consul General that the western powers, by apparently withdrawing from the Far Eastern area and failing to provide "authority" in world politics, may lead the Indonesians to assume a "neutral" position between the East and the West. Lovink added that he has no faith in the projected Southeast Asia Union, which he believes would be susceptible to Communist influence, with China as the potential great Asiatic power. Lovink therefore urges that the US, the UK, and the Netherlands develop a strong concerted policy of political and economic support for Indonesia and that joint military defense commitments be made to the new Indonesian Republic.



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1144

NEAR EAST-AFRICA

1. JORDAN: Abdullah reiterates desire for peace with Israel--
 US Charge Fritzlan in Amman reports that in a recent conversation King Abdullah again indicated a desire to achieve permanent peace with Israel. Abdullah expressed the opinion that the Palestine Conciliation Commission has failed in its task and that he should begin direct negotiations with the Israelis. The King added that the US and the UK should mediate in the matter and should "bring the Jews to their senses" so that Jordan might obtain a reasonable settlement based either on the 1947 partition plan of the UN or on compensation by the Israelis for their territorial holdings exceeding the partition boundaries.

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1145

EUROPE

1. BULGARIA: Effects of purges in Bulgaria--US Minister Heath reports that the "ceaseless" purges in all ranks of the Bulgarian Communist Party, as well as present indications that these purges will continue, have brought the entire Communist structure "not too far removed from panic." According to Heath, Bulgarian Communist officials "in all echelons" are now filled with unprecedented anxiety, fear, and mutual distrust. Heath believes that, although a majority of Bulgarian Communists would welcome a greater degree of independence from the Kremlin, the USSR took measures to ensure that no organized threat emerged and that now not even the basis for an organized plot exists. In Heath's opinion, despite the arrest of potential deviationists, the swell of Bulgarian resentment against the Kremlin will continue as long as Tito holds out and life in Bulgaria remains hard and insecure. Heath doubts that resentment against the Kremlin can at this time be developed into a Titoist rebellion, but points to the opportunities for exploiting the schism in the Communist Party by means of a vigorous program of US and Yugoslav broadcasts to Bulgaria. Heath recommends also that an anti-Communist passive resistance network within Bulgaria be established through aid and counsel to refugee resistance organizations abroad.

FAR EAST

2. CHINA: Nationalist withdrawal from Chungking--US Charge Strong in Chungking reports that a high policy decision regarding the future location of the National Government is likely in the immediate future and that Taiwan will probably be selected. Strong believes this

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decision will mean the "end of the Chinese Government as presently constituted" and suggests that Acting President Li is probably staying away from Chungking because he does not want to associate himself with such a decision. Strong adds that in his opinion Li will thereby lose any chance of setting up a government elsewhere on the mainland.

3. KOREA: Defenses may be jeopardized--US Ambassador Muccio transmits his opinion that increased prices and altered availability policies adopted for the Military Aid Program (MAP) in Korea will cause US aid to fall short of the minimum requirements outlined in original estimates and will seriously jeopardize the entire US effort in Korea by weakening military support to the Korean security forces. Muccio points out that failure to provide proper and adequate military aid will leave the Republic of Korea open to aggression by the steadily expanding Communist forces in North Korea. Muccio comments further that the South Korean forces are now "seriously checkmated" due to lack of normal replacements for major military items and adds that reductions in MAP supplies would also "kill the possibility" of strengthening the Coast Guard which is now wholly incapable of performing its mission. The Ambassador strongly recommends that pricing and availability policies be reviewed and adjusted to give Korea at least the modest requirements considered to be the irreducible minimum for protecting US interests in Korea.

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1146

GENERAL

1. British intentions for Tripoli--US Consul General Lynch in Tripoli has been informed by the UK Chief Administrator for Tripoli that his government has authorized him, in event of GA postponement of the Libya question, to announce the British intention to inaugurate early self-government in internal affairs in Tripoli. The Consul General expresses the belief that the contemplated British action will be the minimum essential to maintaining internal peace in Tripoli and adds that Foreign Secretary Bevin in a recent cable "seemed to feel" that the US would, in event of GA postponement, find it possible to go along with some "unspecified" British action designed to speed progress toward self-government and independence for Tripoli.



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1147

FAR EAST

1. CHINA: Nationalist move to Taiwan--US Charge Strong reports from Chungking that the move to Taiwan of Chinese Government personnel selected by Chiang Kai-shek is about to begin. Strong suggests that if Chungking becomes insecure, Chengtu will be used as a staging point and adds that Szechuan "leaders" may now be expected to play ball with the Communists in every way.

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(CIA Comment: CIA believes that the withdrawal of Acting President Li Tsung-jen to Hong Kong will speed up the move to Taiwan, and that in the near future National Government control will be restricted to that island.)



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1148

GENERAL

1. US position on internationalization of Jerusalem--The Department of State has instructed the US delegation to the UN to support, as a basis for General Assembly consideration, the proposal for internationalizing Jerusalem recently drafted by the Palestine Conciliation Commission. The Department further instructs the delegation to consider any amendments or new proposals "on their merits" as well as in "the light of the possibility of reaching general agreement in the GA." If the GA is unable to agree on precise terms for settling the Jerusalem question, the US delegation should, pending further consideration of the issue, support some temporary arrangement providing for UN supervised protection of and access to the Holy Places.

S - S

2. Soviet support of Arab unity unlikely--In assessing the possibility of Soviet action in the Near East, US Embassy Moscow expresses the belief that the USSR will not support Arab unity now, primarily because the Kremlin is generally opposed to creating regional groupings not under its control. The Embassy adds, however, that the Kremlin may "welcome or even encourage" unification schemes which it estimates would weaken the influence of the western powers in a given area; the Embassy cites the proposed Syria-Iraq union as an example which might lead to unrest in neighboring countries and to strained relations among western powers. In conclusion, the Embassy suggests that support be given to the broadest feasible Near East regional grouping conforming to the spirit of the UN charter.

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1149

GENERAL

- 1. Israel intends to open talks with Jordan--The Department of State has been informed by the Israeli Ambassador that Israel intends to proceed with direct negotiations with Jordan for a Palestine settlement. The Department informed the Israeli Ambassador that, as previously indicated, the US favors direct talks and would welcome free negotiations "which would achieve peace and stability in the area."



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1150

GENERAL

1. Firmer US stand held needed for European integration--
 Belgian Foreign Minister Van Zeeland has told US Ambassador Murphy in Brussels that he considers the progress of Western Europe toward economic integration to be "inadequate in volume and too slow in tempo." Van Zeeland deplored as somewhat impractical the tendency of US representatives to avoid taking any positive position toward proposals suggested by Europeans and expressed his belief that the policy of integration could succeed only if US representatives are willing to take positions regarding concrete suggestions offered by Europeans, even while making clear that eventual approval of a given proposition may lie with the US Congress.

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THE AMERICAS

CIA - 5

1. PANAMA: Problems involved in recognition of Arias-- US Ambassador Davis advises the Department of State that, in his opinion, the US should "deal frankly" with a situation in which President-designate Arias and Police Chief Remon have shown a "cynical disregard" for democratic principles and "complete disdain" for expressed US policy. The Ambassador advises that, in view of the US position since the elections of 1948, the US should recognize Chanis as constitutional president, making clear that it will recognize no act of the "illegal" government, and will resist pressure by all means short of intervention. According to the Ambassador, the alternative (granting the Arias government eventual recognition), would be to accept "obviously dishonest legal fictions." As a result, Arias would establish himself firmly in an absolute dictatorship and cooperate with the enemies of the US.

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FAR EAST

CIA - S

- 1. CHINA: Li plans new government site on mainland--
 Acting President Li Tsung-jen has informed US Charge Strong in Hong Kong that he intends eventually to establish a government in Kwangsi Province, stressing that he will never agree to a government on Taiwan. Strong doubts, however, that the current impasse between Li and Chiang Kai-shek can be resolved in Li's favor primarily because:
 - (a) Li will be unable to retain the loyalty and services of competent people during his planned absence from China;
 - and (b) Li's efforts to establish a new government site will continue to be complicated by a need for funds.

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1153

GENERAL

1. Soviet attack "reported" for 1950--The US Consul in Bremen transmits a report from an "old and reliable" contact residing in western Berlin that "war is expected in the spring of 1950." Source asserts that a Soviet army of 600,000 is on the new Polish border, that the USSR is operating two former German rocket bases, and that these rockets have a range of 4800 kilometers (approximately 3,000 miles). The Consul comments that "source is in touch with intimates of Minister President Grotewohl"; he further comments that the foregoing is believed to be a reliable report concerning information which the USSR is now furnishing top officials of the East German Government.

CIA-5

(CIA Comment: CIA estimates that such an attack by the USSR in the spring of 1950 is improbable. This report probably represents an extension of the Soviet propaganda line designed to rally East Germans behind the Soviet puppet government and to frighten those elements of the German population which are supporting the West.)

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EUROPE

1. AUSTRIA: Foreign Minister's suggestions for Austrian Army-- CIA/S
 Austrian Foreign Minister Gruber has advised US Legation Vienna that it would be a mistake for the western powers to approach the USSR, either before or after the signing of an Austrian treaty, regarding the establishment of a "preliminary" Austrian Army. Gruber suggests that a Soviet signature on a treaty should be assumed to be approval for the Austrian Government to prepare to implement all the treaty provisions, thus enabling Austria to proceed quietly with its plans for an army during the 90 days between ratification of the treaty and the withdrawal of occupation troops. The Austrian Foreign Minister feels that consultation with the USSR would involve the risk of Soviet refusal for Austrian action prior to the effective date of a treaty and that this refusal would make it difficult for the Austrians to do more than elementary military planning. Gruber is even more apprehensive lest the USSR be given an opportunity to insist that preparations for the future army be carried out under the supervision of the four-power Allied Council which, Gruber believes, would give the USSR a chance to interfere with the planning and to impede the program.

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GENERAL

1. Possible tactical shift in Soviet peace offensive--The US delegation to the UN transmits a remark by UN Assistant Secretary General Zinchenko, the top Soviet secretariat member, that Soviet speeches in support of the current "peace" resolution introduced by the USSR should be discounted as being made merely for debating purposes. Zinchenko added that the Soviet delegation now realized that anything like a peace pact proposal "had to be preceded by diplomatic negotiation"; he expressed the opinion that there is considerable likelihood of discussions "of the problem through regular diplomatic channels" after the General Assembly adjourns.

UN - S

2. Potential dangers in Indonesian situation--US Consul General Beam and the US representative to the UN Commission for Indonesia (UNCI) report from Batavia that UK Consul General Stewart is greatly concerned over the ability of Indonesian forces to prevent serious disorders in Java and Sumatra during the period of Dutch withdrawal and the assumption of control by Indonesian forces. In response to Stewart's statement that he had alerted Singapore and British firms in Indonesia, Beam informed the UK Consul General that he would like to withhold action requesting protection for US citizens until he learns of the progress being made in arrangements to transfer control from the Dutch to the Indonesians. If Beam finds that serious difficulties are being encountered, he proposes to approach UK Consul General Stewart regarding a joint warning to the US and UK Governments that conditions in Indonesia may become dangerous.

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THE AMERICAS

3. PANAMA: Arias "may be able" to hold on--US Ambassador Austin at the UN transmits a report that the Panamanian Ambassador to the UN has expressed the opinion that Arnulfo Arias, in view of the events leading up to his assumption of the presidency, "will be able to hold on and stabilize" the situation. The Panamanian Ambassador also expressed the hope that "friendly overtures towards the US will not meet rebuff."

CIA - S

(CIA Comment: CIA estimates that Arnulfo Arias' chances of retaining his position have been improving during the past several days.)

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1156

GENERAL

1. Italy considering recognition of Communist China-- US Ambassador Dunn has been informed by the Italian Foreign Office that it is preparing to discuss with the US a possible diplomatic recognition by Italy of the Communist regime in China. The Foreign Office spokesman stated that Italy is convinced that the UK intends to recognize the new regime without further delay; the spokesman added his belief that the UK has also succeeded in persuading other Western European governments, such as the Netherlands, to take similar action. The Italian representative pointed out to Dunn that continued non-recognition by Italy would be difficult for the Italian Government to defend against parliamentary attack, and expressed the opinion that Italy would not be supported by parallel non-recognition by other Western European governments.

(CIA Comment: CIA believes that although the UK and other Western European powers are not ready to recognize the Chinese Communist regime in the immediate future, some of them will probably do so in early 1950. It is likely that the attitude of the Italian Government has been strongly influenced by Vatican pressure and anxiety to protect Church interests in China.)

2. Views on Soviet-Yugoslav relations--The French Ambassador in Moscow has informed US Ambassador Kirk that he has transmitted to the French Government his opinion that: (a) the USSR will rely on internal subversion, "not excepting assassination" in Yugoslavia this winter; (b) by spring of 1950--other means having failed--the USSR will increase guerrilla activity along

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the Yugoslav frontier; and (c) "all else failing and provided a reasonable prospect the US would not intervene militarily," the USSR can be expected to launch full-scale military action in the spring or summer of 1950. The French Ambassador also believes that the Kremlin--"in deciding whether and when to move"--would rely upon Vishinsky's estimate of US reaction to the "Russian military operation." Kirk believes that the French Ambassador's views are "not unreasonable" and emphasizes the obvious importance of giving Vishinsky the correct impression prior to his departure from the US.

(CIA Comment: CIA further believes that although anti-Tito guerrilla operations will probably be increased before the spring of 1950, full-scale military operations will not be undertaken by the USSR unless the Kremlin is convinced the US will not intervene militarily.)

FAR EAST

- 3.3(h)(2) 3. THE PHILIPPINES: Mid-December rebellion--
 [redacted] members of the opposition Nacionalista Party, whose presidential candidate, Jose Laurel, was defeated in the recent election, have completed plans for a general armed uprising some-time after 13 December. [redacted] these plans will be implemented if the plotters fail in their legal attempt to prevent proclamation of President Quirino's re-election. 3.3(h)(2)

(CIA Comment: CIA believes that although some Nacionalistas may be planning a general armed rebellion which might include assassination attempts on high Government officials, any attempted uprising will most

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probably be centered in the capital city of Manila. Government forces probably will be able to quell such an uprising unless: (a) Laurel, who would probably be aware of such a plot, supports the movement; and (b) the Government is forced to cope simultaneously with a large-scale Communist-led Huk offensive.)

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1157

GENERAL

1. Views on Rokossovsky appointment in Poland--US Minister Schoenfeld in Bucharest considers the appointment of Marshal Rokossovsky as Polish Minister of Defense and Commander in Chief of the Polish Army as "authoritative confirmation" of the general Soviet policy toward integration of Soviet and Satellite military systems envisaged in the secret military protocols of the various Soviet-Satellite Mutual Assistance Pacts. Schoenfeld discounts the view that Rokossovsky will assume the role of an all-Satellite defense coordinator, pointing out that the Soviet military problem in Poland is primarily related to the German situation, whereas the principal Soviet concern in the Balkans is a hostile Yugoslavia. Moreover, Schoenfeld cites past Soviet policy toward the Cominform and the Council of Economic Mutual Assistance as indicative of Soviet reluctance to delegate effective power over the Satellites as a whole to a headquarters outside the USSR.

TS/s

(CIA Comment: CIA concurs in the above estimate.)

2. French views on Austrian Army--The French Minister in Vienna has intimated to US Minister Erhardt that he was recommending to the French Government that the question of the establishment of an Austrian Army not be discussed with the USSR at this time.

TS/s

THE AMERICAS

3. PANAMA: Situation reported improving--In reporting developments in Panama since Arnulfo Arias became President, US Ambassador Davis expresses his belief that the

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Panamanian situation is improving; that Arias has a large following and is gaining adherents daily; and that influential sectors of the US business community now favor early recognition. Davis adds that the Arias government may soon be able to meet three conditions for recognition: de facto control, ability and willingness to meet obligations, and the acquiescence of the great majority of the people. In assessing possible future developments, Davis comments that the greatest uncertainty locally is the outcome of the struggle of the government to free itself from the now thoroughly discredited police clique that placed it in power. Davis believes that although the police have thus far refused to accept any solution involving the resignation of present police leaders, Arias cannot accept police domination. According to Davis, Arias will probably avoid a direct clash with the police and will eventually outwit the present police leadership.

Meanwhile, the Department of State has informed Ambassador Davis of its intention to exchange views on recognition with other American Republics, centering its inquiry on the present regime's control of administration and territory and its ability and willingness to meet international obligations.

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1158



GENERAL

1. Comments on Soviet plans against Tito--In discussing the possibility of Soviet armed action to liquidate Tito, US Embassy Belgrade expresses the opinion that the Kremlin will not "move openly" with military forces against Tito until convinced that his liquidation is absolutely essential. The Embassy adds that if Tito's heretical influence can be weakened or if he can be "ideologically sealed off" the Kremlin may feel that the risk of resorting to arms would not be justified. The Embassy does not believe that Soviet attempts to establish Tito as a "Fascist spy" will be successful in eliminating the dangers to the Soviet system inherent in Titoism; the Embassy points out, however, that the Kremlin "might well feel otherwise."

TS/s

(CIA Comment: CIA believes that although the Kremlin continues to be fully aware of the danger of Titoism, full scale military operations against Tito would not be undertaken unless the Kremlin is convinced that the US would not intervene militarily.)

2. Developments in recognition of Chinese Communists-- US Embassy Bangkok has been informed by the Thai Foreign Minister that the UK has advised the Thai Government of its intention to recognize the Chinese Communist Government about the "middle" of December; the Thai Foreign Minister added that he "understood" the Indian and Burmese governments would extend recognition at about the same time. Meanwhile, US Embassy Paris has been informed by a French

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Foreign Office official that the British Cabinet will "pronounce itself" during the week beginning 12 December on the principle and timing of recognizing the Chinese Communists.

(CIA Comment: CIA believes that the UK Government will delay recognition of the Chinese Communist Government until after adjournment of the current session of the UN General Assembly. CIA further believes that although the UK may delay until after the Commonwealth Foreign Ministers' Conference in Ceylon beginning 9 January 1950 it would move more quickly if other governments, especially those associated with the Commonwealth, should extend recognition within the next few weeks.)

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GENERAL

- 1. UK action on recognizing Chinese Communist regime--
 US Embassy London has been informed by the UK Foreign Office that it will submit a paper on recognition of the Chinese Communist regime to the British Cabinet on 15 December, in which the Cabinet will be asked to decide whether recognition should be granted and, if so, when. The Embassy adds that any decision reached will be communicated to the US and other friendly Governments prior to public announcement.

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GENERAL

- 1. Soviet deputy "uncertain" regarding Austrian treaty talks--
The US deputy at the Austrian treaty negotiations in New York reports that, following the unproductive 6 December meeting, Soviet Deputy Zarubin had no suggestions for future work on the treaty and "complained that Moscow was leaving him completely without instructions." Zarubin commented that he did not know whether his Government wanted him to remain in New York or to return to London and added that he could give no estimate of when the Soviet-Austrian negotiations on debts for services and supplies would be concluded in Vienna.

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3.3(h)(2)

EUROPE

1. GERMANY: East German Army reportedly being formed--

CIA/S [REDACTED]

[REDACTED] the mounting intensity of the propaganda campaign in the German Soviet-licensed press, contending that German rearmament in the western zones is an accomplished fact, is setting the stage for decisive developments in establishing a "People's Army" for Eastern Germany.

3.3(h)(2)

[REDACTED] the official announcement of the organization of a "People's Army" cannot be put off indefinitely in view of the accumulating evidence of the existence of such a force and, in support of this belief, reports that: (a) whereas the paramilitary Bereitschaften (Alert Police) prior to August 1949 maintained a semblance of police character, all pretense has now been dropped; (b) a recent reorganization has, in effect, placed control of the Bereitschaften and its training schools beyond the jurisdiction of German governmental authorities; and (c) the Bereitschaften has been deprived of its police character and is now in the chain of command of the Soviet occupation army in East Germany.

(CIA Comment: Although there is no conclusive evidence available that the USSR and German Communist officials are creating or arming a military force of Eastern Germans, CIA believes that a force is being trained which will develop military capabilities exceeding those envisaged for German police in occupation agreements. CIA further believes that: (a) the immediate purpose of the Bereitschaften is to serve as a paramilitary apparatus to discourage or suppress violent opposition to continued Communist control; and (b) it is entirely possible that the organization may be used eventually as a cadre for an East German Army.)

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1162

GENERAL

1. Western relations with East German Government--
 US Embassy London reports that the permanent commission of the Brussels Pact countries meeting in London has agreed unanimously that: (a) no action should be taken which might be construed as de facto or de jure recognition of the East German Government (GDR); (b) trade relations with that regime should be conducted through private channels; (c) participation of the GDR in any international body should be opposed; (d) Soviet occupation authorities should be held politically responsible for eastern Germany; and (e) when final agreement is reached, the Brussels Pact countries will request the adherence to this position of all Western European countries except Spain. The Embassy observes that the suggestion to conduct trade with the GDR through committees of Chambers of Commerce was well received by the Commission.

2. UK views on position of world communism--According to US Embassy London, the British Foreign Office considers that the recent Cominform communique reveals world communism to be in an essentially defensive position despite the Communist victory in China and "the unsatisfactory economic situation in the free world." In support of this view, the Foreign Office contrasts the Soviet strategy of 1947, which was designed to take advantage of the "ripe revolutionary harvest" in Western Europe, with such present Soviet defensive actions as the establishment of an East German Government, the appointment of Rokossovsky in Poland, and the purges in the Satellites.



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FAR EAST

3. CHINA: K. C. Wu offered Taiwan Governorship--US Consul General Taipei has been informed by K. C. Wu, former Nationalist mayor of Shanghai, that the National Government of China has requested him to assume the Governorship of Taiwan. Wu indicated his willingness to accept the post, provided he is able to: (a) choose his officials personally; (b) control all national and provincial organs on the island; (c) attend all military conferences; and (d) establish a "truly democratic" form of government. Estimating that Taiwan's economy would collapse within two or three months unless aid is received, Wu expressed the hope that the US would accept the change in administration as a "first step in the right direction" and consider extending immediate assistance, as the reforms he envisions cannot succeed unless aid is forthcoming on a step-by-step basis.

(CIA Comment: CIA believes that Wu would be confirmed as Governor of Taiwan primarily in the hope of involving the US as deeply as possible in Nationalist affairs on Taiwan. CIA further believes that Wu probably would be unable either to take independent action as Governor of Taiwan or to halt continuing military and political deterioration on the island.)

Separatism in Southwest--US Consul General Kunming reports that a spokesman of the Yunnanese separatist group has stated that, despite the lack of US support for the movement, serious consideration is being given to declaration of Yunnan's independence from the rest of China. The Consul General expresses the opinion that such a declaration is "quite possible" within the next ten days.

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A N N E X

9 December 1949

POSSIBLE PHILIPPINE REBELLION

Post-election protest rallies, demonstrations, and sporadic violence following the re-election of President Quirino, coupled with reports that disgruntled members of the political opposition are planning a general armed uprising, indicate that political stability in the Philippines may be jeopardized during the next few months. The most likely dates the members of the defeated Nacionalista Party might choose for inciting a general armed rebellion would be: (1) immediately following the 13 December special session of Congress which meets to proclaim officially Quirino's victory; or (2) on or about 30 December when Quirino's inauguration is scheduled to take place. Although sporadic violence and the general dissatisfaction now prevailing provide an improved opportunity for inciting armed rebellion, it is unlikely that a lasting or widespread revolt against the present government can be achieved. Even a short-lived revolt, however, involving rioting and violence in Manila, would expose US citizens to injury and US property to damage. Such disorders would also provide the Communist-led Huk dissidents with a favorable opportunity for attacks upon US military personnel and equipment in the Clark Field area.

Concerning the possible duration, scope, and outcome of an attempted rebellion, three factors are dominant: (1) the leadership of the movement; (2) the Government's capabilities for maintaining order and suppressing the revolt; and (3) the extent of popular support which an armed uprising might

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receive. Jose Laurel, recently defeated presidential candidate and leader of the Nacionalista Party, is the only available opposition leader capable of gaining widespread support among the Philippine people. No evidence indicating Laurel's involvement with the reported Nacionalista plans for revolt is available, but his active support of the reported uprising must be considered to be a possibility. The Government's security forces are capable of controlling a Nacionalista-inspired uprising, unless forced to cope simultaneously with a large-scale offensive by the Huk dissidents. Even in this event, the Government forces are probably capable of maintaining security unless the uprising and the Huk offensives were under combined and unified leadership, which is unlikely. Moreover, in regard to possible popular support for an armed rebellion against the Government, a majority of the people supported President Quirino at the polls and would probably do so again during any critical situation.

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GENERAL

CIA/S

1. US views on position of world communism-- The Department of State, in considering the implications of the recent Cominform Communique and an earlier speech by Malenkov, has expressed the view that the Kremlin's optimism regarding the present position of world communism is based largely upon Soviet progress in atomic developments and the success of the Chinese Communists. The Department points out, however, that the communique appears at most to be a Soviet decision to continue present strategy with special emphasis upon a "peace drive" as a means of rallying support and perhaps developing an ideological basis for possible future Communist action in western Europe. In support of the view that the Kremlin is still concerned with areas of continuing weakness in Europe, the Department points to: (1) the present inability of the Kremlin to overthrow Tito; (2) Soviet apprehension lest the Titoist heresy of national communism spread; and (3) the present political sterility of Communists in western Europe.



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GENERAL

- 1. US to recognize Arias Government in Panama--The Department of State has informed US Embassies in Latin America of its intention to recognize the Arias regime in Panama on 14 December "barring unforeseen adverse developments." The Department reiterates the view that recognition does not constitute approval of the way in which the Arias Government came into power.



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GENERAL

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1. Recommendations regarding support for Indochina -- Ambassador Bruce in Paris, in analyzing the need for maintaining a non-Communist government in Indochina, expresses the view that any program for strengthening the Bao Dai Government must recognize that political realities within France make it impossible to plan in terms of complete freedom for Indochina or for complete withdrawal of French forces in the immediate future. As a guide for constructive action within the limits of the French internal political situation, the Ambassador suggests that the French should implement as quickly as possible the present plans for establishing the Bao Dai Government as a full member of the French Union. Bruce also suggests, as possible supplementary action, that the Bao Dai Government be recognized by the US and the UK and then extended financial and economic support.



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GENERAL

1. Estimate of Soviet position in Europe--US Ambassador Kirk in Moscow suggests that the Kremlin's year-end estimate of the European scene is probably characterized by: (a) satisfaction in general regarding Satellite control and evolution; (b) continuing anger and concern over Tito, tempered by the belief that incipient Titoism is being effectively suppressed in the remaining Satellites; and (c) real hopes for eventual advances in Germany and Western Europe. Kirk points out that although the Kremlin is aware of increased western integration and the loss of Communist control of world labor, the Kremlin nevertheless may expect these western gains to be wiped out eventually by the "deepening economic crisis" and "contradictions" between the western powers. The Ambassador concludes that Moscow may again, as in 1947, be considerably over-estimating Soviet prospects outside the Iron Curtain in Europe.

(CIA Comment: CIA believes that despite the Kremlin's optimistic expectations for an eventual western economic crisis and increasing disunity among the western powers, the Kremlin probably recognizes that the USSR has suffered a temporary setback in Europe caused by: (a) military, economic, and political measures undertaken by the western powers; (b) the problems arising from Tito's deviations; and (c) reduced effectiveness of Communist parties in Western European nations.)

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NEAR - EAST AFRICA

2. PALESTINE: Israeli-Jordan negotiations deadlocked--
US Embassy London has been informed by a UK Foreign Office official that the Israeli-Jordan peace talks were adjourned without provision for further meetings after a stormy session on 8 December, even though the parties did reach agreement in principle regarding the advisability of re-drawing demarcation lines in Jerusalem. According to the Foreign Office official, the principal point of contention in the negotiations continues to be Jordan's demand for access to the Mediterranean. The Embassy reports that the official was pessimistic over the prospects for a settlement between the two countries as a result of the current conversations.

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1167

FAR EAST

1. CHINA: Wu appointed Governor of Taiwan--K. C. Wu, former Nationalist mayor of Shanghai, has informed US officials in Taipei of his appointment as Governor of Taiwan. Wu stated that Chiang Kai-shek had prevailed over those Nationalist leaders opposing the appointment and that Chiang wished to make an immediate announcement of the change in administration. Although Wu doubts that he will be able to effect any real reform in the Nationalist military establishment in the near future, he is selecting a new civilian administration in which he hopes to include several Taiwanese.

CIF/S

2. INDOCHINA: Chinese Nationalist troops crossing border--US Consul General Hanoi transmits a report from the commander of French forces in Indochina that the 20-25,000 Chinese Nationalist troops which have already crossed the Indochina frontier are being met and disarmed by French border guards. The French commander estimates that possibly 10,000 more Chinese troops are waiting to cross and adds that the disarmed Chinese are being moved to a point of concentration in the interior prior to transfer to coastal internment camps.

CIF/S [Redacted]

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1168

GENERAL

- 1. Finland's position estimated to be stronger--US Em-
bassy Oslo transmits the opinion of Norwegian Defense
Minister Hauge that Finland's position has been greatly
strengthened by the North Atlantic Pact and that the
USSR is now more hesitant to take over Finland because
of repercussions which would inevitably follow in the
West. The Defense Minister added that a Soviet attempt
to take over Finland would precipitate a crisis in Sweden;
Hauge also reaffirmed his view that in the last analysis
Sweden would side with the West and would certainly
fight if invaded.

NEAR EAST-AFRICA

- 2. PALESTINE: Israel offers Jordan access to sea --
US Charge Fritzlan in Amman has been informed by
the Jordan representative in the current Israeli-Jordan
peace negotiations that during the 13 December meeting,
the Israeli delegation offered to grant Jordan full sov-
ereignty over a corridor to the Mediterranean. Accord-
ing to the Jordan representative, the Israeli offer was
made subject to the following reservations: (a) there
should be no military installations or bases in the
corridor; (b) the Israelis should have free passage
across the corridor at three places; and (c) the Brit-
ish treaty guaranteeing Jordan's integrity should not
apply to the corridor.

(CIA Comment: CIA believes that although other
difficult problems face the negotiators, this offer repre-
sents a concession on the part of Israel which may make
a substantial contribution toward a settlement.)

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1169

GENERAL

CIA/S
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1. British plans for turning over Somaliland territory-- US Embassy London has learned, in discussing with the British Foreign Office the plans of the UK concerning the turnover of Somaliland territory to Italy, that the British have proposed to the Italians that they take over up to a line previously established by Anglo-Ethiopian agreement. Pointing out that by such a proposal Italian forces would occupy territory now held by the British under an agreement with Ethiopia, the Embassy foresees a dangerous situation if Italy should acquiesce in this suggestion. The Embassy indicates that present events in Eritrea are already widening the breach between Italy and Ethiopia and comments that the possibility cannot be dismissed that Ethiopia may attempt to recover the territory in question by force of arms.



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GENERAL

1. Spaak still available to head OEEC--US Ambassador Murphy in Brussels has been informed by former Belgian Premier Spaak of his determination to "accept the responsibility" of heading the Organization for European Economic Cooperation, providing there is no substantial opposition from within the organization. Spaak expressed the conviction, however, that the British are steadfast in their opposition to his appointment and have now adopted the tactics of "open neutrality" while inducing the Scandinavian countries to spearhead the opposition. In connection with the British contention that heading OEEC would require Spaak's resignation from the Belgian Parliament, Spaak expressed the belief that there is no legal requirement for his resignation. Spaak added that he would like to accept the appointment to head OEEC on the basis of a six-months trial period, during which he "would be on a leave of absence status from Belgian politics."

S/S

2. UK contemplating recognition of China on 2 January--US Embassy Paris reports that French Foreign Minister Schuman has been advised by Foreign Secretary Bevin that the UK Government has decided to recognize the Chinese Communists, preferably on 2 January. Bevin added that the UK Government was also considering extending de facto recognition to the Bao Dai Government in Indochina following the Colombo Conference early in January 1950, provided certain conditions are fulfilled by the French.

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GENERAL

- 1. Recognition of Communist China--US Ambassador Henderson in New Delhi has been informed by the Indian Department of External Affairs that the Government of India intends to recognize the Communist regime in China on 30 December 1949. Meanwhile, President Quirino of the Philippines has expressed to US Ambassador Cowen his desire for fullest cooperation with the US on recognition of the Communist regime in China. President Quirino pointed out, however, that he felt it would be imprudent for the Philippine Government to delay too long after a substantial number of other nations had recognized the Chinese Communists.

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1172

GENERAL

1. US delay in recognizing China urged--US Ambassador Stanton in Bangkok strongly urges that the US delay recognition of the Chinese Communist regime until after receiving formal assurances from the Chinese Communists that they intend to: (a) protect fully US rights and interests in China; (b) observe existing treaty obligations between China and the US; and (c) uphold the principles of international law. The Ambassador expresses the belief that recognition by the US, along with the UK and some other countries, would greatly facilitate and expedite the loss of Asia to the Communists. In conclusion, Stanton strongly recommends that the US promptly issue an official statement setting forth US intentions in regard to recognizing Communist China.

FAR EAST

2. INDOCHINA: Chinese Communist troops contact French-- US Consul General Hanoi has been informed by General Alessandri, the French commander in Indochina, that a small Chinese Communist force pursued "surrendering Nationalists" across the Indochinese border. The French commander added that the Communist captain in command of the unit, upon being informed by a French officer that he had entered French territory, "apologized abjectly" and signified his intention of retiring; before leaving, however, the Communist commander asked that the French officer sign a statement that the Communist force had pursued the Nationalists "to the very limit of Chinese territory." General Alessandri commented that further developments are expected along the frontier regions of west China, where the remnants of the Nationalist 14th Army are now located.

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EUROPE

- 1. FRANCE: Major political crisis predicted--US Ambassador Bruce in Paris expresses the view that because of the continuing "crisis atmosphere" and the unsettled basic differences between the parties participating in the Government, it is difficult to foresee how a new government crisis can long be averted. The Ambassador adds that France is still in the throes of a basic political readjustment, which was in no way furthered by the formation of the Bidault Cabinet. Bruce concludes that when a crisis occurs, the formation of a new coalition will be made even more difficult by inter-party resentments and fundamental social and economic differences between the parties.



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1174

GENERAL

- 1. UK stand on extending Jordan treaty--According to US Embassy London, the British are informing the Jordan Government confidentially that they firmly intend to apply the UK-Jordan Mutual Defense Treaty to any areas (including a corridor to the Mediterranean) which might be incorporated into Jordan as a result of peace negotiations with Israel. The UK is informing the Israeli Government that: (a) the question of extending the treaty is a matter which concerns only the UK and Jordan; and (b) the UK has no intention of establishing, in peace time, military bases in any territory which Jordan might acquire.

(CIA Comment: The decision of the UK to extend the defense treaty to any parts of Palestine which Jordan might acquire will make the Israelis less willing to reach a settlement with Jordan in the present peace talks.)

- 2. Simultaneous UK recognition of China and Indochina asked--US Ambassador Bruce in Paris reports that French Foreign Minister Schuman has requested UK Foreign Secretary Bevin to postpone British recognition of the Chinese Communist Government (planned for 2 January 1950) until the Bao Dai Government in Indochina can be recognized simultaneously by the UK. In his message to Bevin, Schuman points out that Bao Dai's powers will be increased before 1 January and that debate by the National Assembly on the Indochina bill should begin about 12 January. The French Foreign Minister calls attention to the new element introduced by Mao Tse-tung's visit to Moscow and emphasizes his great apprehension that this "proclamation" of Sino-Soviet solidarity would have the effect, if immediately followed by British recognition of Mao's regime before de facto recognition of Bao Dai, of "severely weakening the spirit of resistance" to Communism throughout Southeast Asia.



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1175

GENERAL

CIA/S

1. India rejects proposals for Kashmir settlement--US
Ambassador Henderson in New Delhi has been informed by Prime Minister Nehru that the Indian Government has instructed its UN representative to reject the terms of settlement for the Kashmir dispute proposed by Security Council President McNaughton.

(CIA Comment: CIA believes that: (a) India's rejection of the McNaughton proposals is attributable primarily to the personal intransigence of Nehru on the Kashmir issue; (b) the dispute will be aggravated by the almost inevitable public airing of the Kashmir case following India's rejection of the McNaughton proposals; and (c) the public airing of the dispute will provide the USSR with an opportunity to exploit the differences between India and Pakistan.)

2. UK delays recognition of Communist China--US Em-
bassy London has been informed by the British Foreign Office that recognition of the Chinese Communist regime by the UK is being delayed until 6 January 1950. The Embassy believes that because of Foreign Secretary Bevin's impending departure for the Colombo Conference in Ceylon, this date will probably be final.

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1176

GENERAL

- 1. 25,000 Greek guerrillas reported in USSR--US Ambassador Kirk in Moscow has been informed by the Greek Charge that "eye-witness" accounts indicate approximately 25,000 Greek guerrillas are billeted in and around the city of Tashkent in Soviet Central Asia. The Ambassador adds that the Greek Charge is now convinced, on the basis of this information, that all Greek guerrillas are now in the Tashkent area and that this means there will be no war on Greek borders in the spring of 1950.

CIA-S

(CIA Comment: CIA believes that although as many as 25,000 Greek guerrilla refugees may be located in the Tashkent area, the large majority is probably made up of non-combatants, such as, wounded, crippled, women and children.)

FAR EAST

- 2. INDOCHINA: US urged to recognize Bao Dai--US Consul General Abbott in Saigon suggests that the US recognize the Bao Dai Government simultaneously with or immediately after the UK extends recognition. Abbott expresses the opinion that failure to take such action would be interpreted in Indochina as further evidence that the US is "indifferent and irresolute" in opposing the spread of Communism in Southeast Asia.

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(CIA Comment: CIA believes that although the UK may extend "de facto" recognition to the Bao Dai Government without waiting for full transfer of power from the French, it is unlikely that neighboring Asian countries will do so until the Bao Dai Government has received full authority.)

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1177

GENERAL

1. Norway to recognize Communist China early in 1950--
 US Embassy Oslo has been informed by the Secretary General of the Norwegian Foreign Office that Norway will recognize the Chinese Communist regime early in January 1950. The Secretary General added that this decision, which had been reached after consultation with the British Government, was made because of Norwegian shipping interests in China rather than for political reasons.

CIA | Conf

2. India to modify rejection of Kashmir proposals--The US Delegation to the UN has learned that the Indian UN representative has received new instructions from New Delhi permitting modification of India's rejection of Security Council President McNaughton's proposals to break the Kashmir deadlock. McNaughton told the US representatives that India will avoid insistence on the legality of its position and will suggest that the proposals be changed by amendments not yet specified. McNaughton was urged by the Indian representative to continue his mediation efforts.

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1178

GENERAL

1. UK plans early withdrawal from Somaliland--According to US Embassy London, the UK Foreign Office has decided to inform the UN immediately of the British plan for turning over the administration of Somaliland to Italy. The Foreign Office indicated that during the next few months Italian personnel and military forces will arrive in the territory and that the transition from British to Italian administration will be completed by the end of March, whether or not a trusteeship agreement between the UN and Italy has been concluded. The Embassy told the Foreign Office that it would be preferable for the UK to remain in the territory until the trusteeship agreement is concluded.

CIA-S

2. India unconciliatory on Kashmir proposals--The US Delegation to the UN reports that India has submitted amendments to Security Council President McNaughton's proposals which would in effect: (a) compel the withdrawal or disbanding of all Pakistan-controlled forces (including Azad Forces) in Kashmir without compensating reductions on the Indian side; and (b) require transfer of administrative and military control of the disputed northern area of Kashmir to India and to the Indian-controlled Kashmir state government.

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(CIA Comment: Contrary to earlier indications that the proposed Indian amendments might be conciliatory, these proposals would resolve all disputed points in India's favor.)

3. Sweden will recognize Chinese Communists-- According to US Embassy Stockholm, the Swedish Government has informed the Chinese Ambassador in Stockholm of its

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decision to recognize the Chinese Communist regime within a few days after the British do so. The Chinese Ambassador reportedly gained the impression from the Swedish Foreign Minister that both Denmark and Norway will take action similar to Sweden's.

FAR EAST

4. INDONESIA: Transfer of sovereignty orderly--US Consul General Beam in Batavia reports that the transfer of sovereignty to the new government of the United States of Indonesia was accompanied by an "excellent maintenance of order" and that the few "incidents" were of an insignificant nature. Beam comments that the large crowds in Batavia conducted themselves in "dignified fashion" and that the police handled the situation successfully.

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