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## GENERAL

1. Views on Chinese Communist recognition--US Ambassador Kirk in Moscow expresses the view that US long range interests would best be served by early recognition of the Chinese Communist regime. Kirk points out that the US cannot exploit the Chinese situation without representatives actually in the country and that the USSR prefers that the US delay recognition until a dependable local Communist regime and an efficient secret police system have been established. Kirk adds that it would be highly dangerous for the western world to split over the issue of recognition and considers concerted action by the US and UK to be highly advisable. In recommending early recognition of the Communist regime, however, Kirk emphasizes that the question of recognition be clearly separated from that of trade policy and that no steps be taken to lessen the burden of the USSR in meeting China's desperate need for outside assistance. Meanwhile, Kirk opposes any US action to strengthen the Nationalist regime on Taiwan on the grounds that such action would preclude the establishment of relations with the Peiping regime and would cause a strong adverse reaction in Southeast Asia.

2. UK to grant de facto recognition to Vietnam--According to US Embassy London, the British Foreign Office has informed the French that the UK has decided to accord de facto recognition to the Bao Dai regime in Indochina after the Colombo Conference and that Bevin will appeal to the Commonwealth Foreign Ministers there to follow the UK's example. The Foreign Office explained that UK recognition before the Conference might cause those Commonwealth governments inclined to withhold recognition to "harden their attitude."

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3. British position on Somaliland--The UK Foreign Office has informed US Embassy London that if the UN and Italy have not completed a trusteeship agreement for Somaliland by the end of March, the UK will be prepared to reconsider the timing of the formal transfer of administration to Italy. The Foreign Office reiterated, however, that the UK intends to start receiving Italian administrators and troops in the territory immediately, with the object of completing the transfer by the end of March.

## EUROPE

4. SPAIN: Implications of denial of Argentine wheat--The Spanish Minister of Industry and Commerce has informed US Representative Culbertson in Madrid that Argentina has cancelled its wheat agreements with Spain and that Spain must now turn elsewhere for substantial imports of wheat. Culbertson expresses the opinion that although the Minister overestimates Spain's import requirements, Spain would be forced, unless it received US aid, to draw further on its meager gold reserves, with serious economic consequences. Culbertson recommends that the US make a determined effort to enable Spain to solve its difficulties without using its gold reserves. In the absence of such an effort, Culbertson believes that by accusing the US of refusing to aid the Spanish people, the Franco regime would strengthen its internal position and weaken US influence.

(CIA Comment: CIA agrees that the Spanish Minister overestimates Spain's wheat needs, but doubts that Franco's internal position would be strengthened in the event of serious economic difficulties.)

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1180

## GENERAL

1. Implications of Mao's prolonged stay in Moscow--  
Commenting on the recent statement by Chinese Communist leader Mao Tse-tung that he expected to remain in the USSR for "several weeks," US Embassy Moscow considers it odd that Mao would absent himself from China for an extended period at this critical time. The Embassy cites previous reports of the "nationalistic" flavor of Mao's leadership and suggests that: (a) Mao's return to Peiping is being delayed by failure to reach agreement in negotiations with the USSR; and (b) strongly pro-Kremlin elements in the Chinese Communist Party may be expected to take advantage of Mao's absence to strengthen their position at the expense of the "nationalistic" faction in the Party.

CIA - CONF

(CIA Comment: CIA believes that Mao's return to China may be delayed by an inability to reach agreement on certain provisions of a revised Sino-Soviet treaty. CIA has no evidence, however, that Mao is out of favor with the Kremlin or that an anti-Mao coup is being planned in China.)

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## FAR EAST

1. INDOCHINA: US plans for recognizing Bao Dai--The Department of State has informed US Embassy London that the US is planning to extend some form of recognition to the Bao Dai Government of Vietnam, as an associated state in the French Union, provided the French National Assembly adheres to the estimated timetable for ratifying the agreement transferring limited powers to Bao Dai. The Department expresses the hope that recognition can be synchronized with a "spontaneous" French public statement of liberal intentions and concrete plans for further evolution of political independence in Vietnam. The Department also hopes that some South Asian nations may be persuaded to extend some form of recognition to the Bao Dai Government before the US acts. Meanwhile, US Embassy Paris estimates that the "most optimistic" date for the start of French Assembly debate on the agreements for relinquishing certain French powers in Indochina is now 17 January 1950. (French Foreign Minister Schuman originally estimated that debate would begin by 12 January.)

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## GENERAL

1. Possible Western action on Austrian treaty negotiations--  
According to US Representative Reber now in Paris, French representatives agree that if the USSR continues to stall on the Austrian treaty negotiations, the three Western Powers may be forced to do something "spectacular" to demonstrate that only the Soviet attitude blocks progress on the treaty. In discussing with Reber the possibility of a tripartite approach to Moscow, the French are inclined to agree that if the Soviet Deputy continues his delaying tactics at the new meetings beginning 9 January, such a joint Western approach should be made within a few days after the talks are resumed.

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## GENERAL

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## FAR EAST

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1184

## GENERAL

1. US-UK relations reviewed--US Embassy London, in discussing causes of strains and stresses on US-UK relations, expresses the view that despite the growing number of differences between the US and UK there is no reason to believe that these differences are resulting from any change in the basic British policy, designed to assure harmonious and cooperative working relations with the US. The Embassy comments that although there have been several periods of tension between the US and UK since World War II, the present period is potentially the most serious because US-UK differences are now more numerous, complex and intangible and some are likely to remain for a considerable time. In reviewing the factors considered to be contributing to the current US-UK tension, the Embassy lists: (a) the continuing economic difficulties in the UK; (b) British annoyance over the increase in general US pressure and criticism; (c) the uncertainties caused by the pending general election in the UK; (d) a constant state of British bewilderment over the US political system; and (e) the degree of fatigue in top governmental circles in London and irritations caused by the numerous US official and private visitors to the UK.

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## GENERAL

1. Possibilities for discussing Kashmir issue at Colombo--  
In connection with the proposal that the Kashmir problem be discussed at the Colombo conference of British Commonwealth countries, the UK High Commissioner in New Delhi expresses the opinion that India would "resent any suggestion that the Kashmir question should be raised in any formal way" at the Commonwealth meeting. The UK High Commissioner adds that the most to be hoped for is "some progress on the Ministerial level with Pandit Nehru in an entirely informal and friendly" discussion.

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## GENERAL

1. Proposed Western approach to Moscow on Austrian treaty--  
US Representative Reber now attending the Austrian treaty talks in London reports that, because the 9 January meeting indicated the USSR has no present intention of concluding the treaty negotiations, the Western representatives have agreed that a joint western approach should be made to Moscow. The US, UK and French representatives feel that the three Western ambassadors in Moscow should make a joint representation to the Soviet Foreign Office as soon as possible after the 13 January meeting when a continuation of the negative Soviet attitude is expected. Reber recommends that the joint representation: (a) recall the Kremlin's past assurances of a desire to conclude a treaty; (b) point out that, despite progress, new obstacles are continually being created; and (c) request that the Soviet Government state its attitude toward the Austrian treaty and give proof of its intention to proceed with negotiations. The Western representatives are also in favor of having the joint approach to Moscow accompanied by adequate publicity to demonstrate that the USSR is blocking the current negotiations for an Austrian treaty.

CIA - S

(CIA Comment: CIA believes that the USSR will continue its present stalling tactics on the Austrian treaty negotiations regardless of a tri-partite approach to Moscow.)

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## GENERAL

1. Soviet attitude disturbs Austrian leaders--According to US Legation Vienna, Austrian Foreign Minister Gruber has indicated that he has scant hope for early agreement on the Austrian treaty primarily because of the increasingly unfriendly interviews he and the Austrian Premier have had with Soviet Deputy High Commissioner Zheltov. In support of his fears of renewed Soviet pressure on the Austrian people, Gruber points to: (a) the revival of lawlessness in the Soviet Zone; (b) Soviet propaganda about neo-Nazism and war criminals; and (c) Soviet unfriendliness to Austrian officials. Gruber expresses the hope that the London treaty negotiations will not completely bog down and says that the Austrian Government will avoid any display of impatience that would aid Soviet moves to frighten the Austrian people.

(CIA Comment: CIA believes that the present Soviet actions in Austria reflect the Kremlin's desire to delay conclusion of an Austrian treaty.)

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## GENERAL

1. US agrees to suggested protest to Moscow--The Department of State has informed US Representative Reber in London of its concurrence in the plan for a tripartite oral protest in Moscow in the event that "no conclusive result" is reached during the 13 January meeting on the Austrian treaty. In order to avoid the appearance that the Western powers are breaking off negotiations in London, the Department recommends that a specific date be fixed during the 13 January meeting for another meeting of the representatives during the following week. The Department adds that no hint should be given the Soviet deputy that a tripartite protest is contemplated, and suggests that the protest be followed by publicity in the three Western capitals. Meanwhile, the French Foreign Office has expressed general agreement to the proposed joint approach to Moscow.

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## GENERAL

1. UK postponing recognition of Bao Dai--US Embassy  
Colombo reports that, as a result of the French failure to ratify the 8 March Agreements transferring limited authority to the Bao Dai Government of Vietnam, the UK has been unable to persuade other Commonwealth countries to recognize Bao Dai. Following discussion during the Colombo Conference on the problem of recognizing Vietnam, British Foreign Secretary Bevin has expressed the opinion that the attitude of other Commonwealth countries ~~now~~ makes it impossible for the UK to extend "de facto" recognition to Bao Dai until the French ratify the 8 March Agreements and indicate plans for implementing them. Bevin believes that UK recognition of Bao Dai without such French action would bring about open opposition from the Commonwealth countries.

CIA - S

## THE AMERICAS

2. BOLIVIA: Revolt breaks out in the mining area- [redacted]  
[redacted] (1) an armed revolt led by the Movimiento Nacional Revolucionario party (MNR) and supported by army personnel broke out in Oruro and Potosi on 13 January; and (2) the Government is attempting, by preventive arrests, to forestall similar outbreaks in the capital.

CIA - [redacted]

(CIA Comment: CIA believes that (1) the Bolivian Government has been weakened by dissention in the army and general deterioration in the nation's economy; (2) if the rebels can gain substantial support from the army, they will probably be able to gain control of the country. CIA also believes that a government led by the MNR would be less democratic and less cooperative with the US than the present Government.)

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## GENERAL

C/A - S

1. West to approach Vishinsky on Austrian treaty--The Department of State has instructed US Ambassador Kirk in Moscow to join with the French and British Ambassadors in making an approach as soon as possible to Soviet Foreign Minister Vishinsky on the question of the Austrian treaty. The Department indicates that the approach should consist of an oral demarche and an aide-memoire, designed to obtain either a flat Soviet refusal to continue negotiations or assurances that the Austrian treaty may be concluded on the basis of existing agreements without the creation of further obstacles by the Soviet representative. The Department recommends that the Ambassadors: (a) remind Vishinsky of his recent promise in New York that no further difficulties would be encountered on the treaty if the Soviet position on the German assets were accepted; (b) avoid detailed discussion of specific articles of the treaty; and (c) avoid giving the impression that the Western Powers are overly eager for a treaty.

## FAR EAST

2. INDOCHINA: Thai views on Bao Dai Government--US Embassy Bangkok has been informed by the Thai Foreign Minister that his government, while fully aware of the gravity of the Indochina situation, is not prepared to extend recognition to Bao Dai until France actually grants independence to Vietnam and Bao Dai receives a large measure of popular support. The Thai Foreign Minister added that in the absence of these developments, the Thai Government will continue to regard Bao Dai as "a French puppet" who will eventually fail." In conclusion, the Thai Foreign Minister expressed the opinion that: (a) there is no reason why an accord similar to the Netherlands agreement in Indonesia cannot be reached with Ho Chi Minh (Communist leader opposing Bao Dai) and other Vietnamese leaders; and (b) the problem in Indochina is one which the UN might well endeavor to solve.

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17 JAN 1950

1191

## FAR EAST

1. CHINA: Nationalist Governor of Taiwan discouraged--US Charge Strong in Taipei transmits the opinion of recently appointed Governor K.C. Wu that the drastic changes necessary to salvage the economy and to assure the proper defense of Taiwan could not be effected without the help of US advisors. Governor Wu added that Chiang Kai-shek's self-confidence is badly shaken and that advisors would now be able to dictate "any and all changes." Strong reports that although Wu is making progress in small ways, major issues are sure to wreck his efforts; the obviously tired and discouraged Nationalist Governor expects decisively unfavorable developments in the near future, with "complete failure" probably becoming apparent before the end of February 1950. The Charge expresses the conviction that Wu's appeal was not only on instructions from above but also represented Wu's own last hope to achieve something "real and basic."

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## EUROPE

1. FRANCE: Schuman reaffirms French plans for Saar-- S-5  
According to US High Commissioner McCloy in Frankfurt, French Foreign Minister Schuman is determined to acquire 50-year leases for France on Saar coal mines, even though German Chancellor Adenauer has expressed the fear that such French action might endanger Franco-German rapprochement. McCloy adds that Schuman, while emphasizing that any arrangements made now will be subject to review in the peace treaty, apparently also intends to effect some "administrative changes" in the Saar, including converting the Office of the French Commissioner to a Legation. McCloy believes that the 50-year leases would prejudice final disposition of the Saar and agrees with Chancellor Adenauer that the French policy will make Franco-German rapprochement more difficult.

(CIA Comment: CIA agrees that the French policy on the Saar will make the achievement of a Franco-German rapprochement more difficult, and believes that the French Government will probably maintain its present firm stand regarding the Saar.)

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## GENERAL

1. Gromyko unable to give assurances on Austrian treaty--  
US Ambassador Kirk in Moscow reports that the joint US-UK-French request to Deputy Foreign Minister Gromyko for assurances of increased Soviet cooperation on the Austrian treaty negotiations received a "negative" response. In reply to the Western Ambassadors' statement that all outstanding issues should be discussed at the current four-power talks in London, Gromyko insisted that treaty Article 48 (dealing with Austrian payments to the Allies for services and supplies) could not be dealt with further by the Deputies until conclusion of the Soviet-Austrian talks now taking place in Vienna. When asked what progress had been made in the Soviet-Austrian talks, Gromyko said he was unable to comment on either the progress of the talks or Soviet intentions in regard to them. Gromyko added that, meanwhile, the Deputies in London could discuss other unagreed articles of the treaty. Kirk points out that Gromyko was willing to study the Western memorandum on the treaty negotiations and observes that throughout the interview, Gromyko was "negative, illogical and inconsistent," but "not disagreeable."

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## GENERAL

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1. Adenauer disturbed by French Saar policy--US High Commissioner McCloy in Frankfurt has been informed by German Chancellor Adenauer that "there is no possibility" he will be able to bring the Federal Republic into the Council of Europe if the French persist in their present course in the Saar. Adenauer expressed the view that the timing of the French action is the most important element in the situation, and asked that the US and the UK bring pressure to bear on the French to gain more time for a settlement, possibly through direct French-German-Saar conversations. McCloy agrees with Adenauer's opinion that French timing on the Saar projects is "most unfortunate" and expresses the "firm conviction" that the announced French intentions will probably prevent German entry into the Council of Europe.

(CIA Comment: CIA believes that early French action to conclude long-term leases on the Saar mines is likely to jeopardize the chances for German entrance into the Council of Europe. CIA further believes that Adenauer's attitude on the Saar issue is governed primarily by his anxiety to avoid prejudicing the final settlement of German boundaries and partly by his desire to counter German critics of his "pro-French" policy.)

## EUROPE

2. BULGARIA: US replies to Bulgarian note--In response to the Bulgarian note declaring US Minister Heath in Sofia persona non grata, the Department of State is informing the Bulgarian Government that, unless the note regarding Heath is withdrawn and Bulgaria demonstrates its willingness to

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observe established international standards of conduct, the US Government will be obliged to withdraw the US diplomatic mission from Bulgaria and to request the recall of the Bulgarian diplomatic mission from the US. The Department points out, in support of the US position, that: (a) over a period of years the Bulgarian Government has subjected the US Legation in Sofia to increasing indignities and restrictions; and (b) more than a month ago the Department informed the Bulgarian Government of the very serious view the US was taking of the reckless charges then being made against the US Minister in Bulgaria.

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## GENERAL

1. US stand on Saar issue--The Department of State has advised US Embassy Paris that Secretary Acheson's recent statement on the Saar means unequivocally that the US supports French claims for political detachment of the Saar from Germany and financial-economic integration of the area with France. In instructing the Embassy to discuss the Saar with the French Foreign Office, the Department observes, however, that arrangements made prior to the peace treaty are provisional and that any proposal looking toward long-term regulation of economic and political life of the Saar, such as the current French proposal to lease mines from the Saar Government on a 50-year basis, is subject to US-UK consultation. The Department notes the "pressing urgency" of drawing Germany closer into the Western European community and expresses the view that the French would be wise not to introduce new proposals which at the present time "can only be expected to excite nationalistic feelings in Germany and thus retard improvement of Franco-German relations."

C/A - 5

2. US views on SC action during Soviet boycott--The US delegation at the UN, in reporting that it has received numerous queries from other delegations concerning possible UN action on the membership applications of Indonesia and other states during the absence of the USSR from the UN, expresses the view that the US should not support any membership applications at this time. The delegation believes that the Security Council has the right to adopt substantive resolutions in the absence of a permanent member but points (a) to the likelihood that the USSR would never recognize the new members as UN members and (b) to the "conceivable" possibility that

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the USSR might leave the UN. Concerning the specific application of Indonesia, which the delegation presumes will be filed shortly, the US representatives estimate that if the US at present neither fosters nor opposes Indonesian membership aspirations, the matter will then die.

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## GENERAL

1. Possible shift in Soviet tactics in Austria--In discussing the new Soviet attitude in Austria, US Legation Vienna expresses the opinion that increasingly "vigorous" Soviet tactics in the Allied Commission and the harsher Soviet attitude toward the Austrian population may be explained as attempts to intimidate the Austrian Government and people in order to minimize Austrian objections to Soviet stalling on the Austrian treaty negotiations. The Legation, however, does not exclude the possibility of a basic change in Soviet strategy, perhaps including a decision to split Austria along the German pattern. The Legation points out that the Kremlin may now consider that: (a) an early treaty and the subsequent withdrawal of Soviet troops would no longer enable the USSR to gain dominance over all of Austria; (b) the liquidation of Tito requires the presence of Soviet troops in Austria; and (c) the USSR must now concentrate on the further integration of the present Soviet sphere, including eastern Austria. The Legation recommends that regardless of the reasons behind Soviet stalling on the Austrian treaty, the US put Soviet intentions squarely to the test and use all available means to obtain Soviet withdrawal from Austria.

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(CIA Comment: CIA believes that the present aggressive attitude of Soviet officials in Austria reflects the continuing Soviet desire to delay conclusion of an Austrian treaty rather than a Soviet decision to attempt to split Austria in the near future.)

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## EUROPE

2. FRANCE: Speed urged in decisions on MDAP requests--  
US Ambassador Bruce in Paris expresses the opinion that anything that can be done to speed decisions on French requests under the Military Defense Aid Program (MDAP) would be "most helpful" to US security interests. Bruce points out that French Defense Minister Pleven, in planning for recruitment and disposition of French land forces, is faced with decisions affected by the delivery dates on MDAP aid. According to Bruce, Pleven considers that it would be unwise to give the Communists an opportunity to build up their propaganda on Western disunity by any protracted delay in MDAP deliveries.

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(CIA Comment: CIA agrees that any delay in MDAP shipments to France is likely to be effectively exploited by the French Communist Party as evidence of Western disunity.)

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## GENERAL

1. Western Commandants' view of Berlin situation--According to US Commanding General Taylor in Berlin, the three Western Commandants in Berlin agree that the recent Soviet interference in Western traffic to Berlin reflects a deliberate Soviet plan to sabotage the economic rehabilitation of Berlin, undermine the confidence of Berliners and West Germans, and embarrass the Western Powers. Taylor adds that the Western Commandants have agreed to maintain close collaboration on this matter and to consider at their 26 January 1950 meeting the merits of making a joint protest to Soviet authorities.

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2. 15 February proposed for resuming Austrian treaty talks--US representative Reber in London reports that the Western Deputies to the Austrian treaty talks have agreed upon 15 February as the date of the next Deputies' meeting in order to keep the London talks alive, while giving the USSR an opportunity to conclude its financial negotiations with the Austrians in Vienna. (Soviet Deputy Foreign Minister Gromyko has insisted that the Vienna talks must be completed before the Deputies in London can discuss as a group the outstanding issues of the Austrian treaty.) The Department of State has informed Reber that the completion of the Austrian treaty with the subsequent withdrawal of Soviet occupation forces remains the major US objective in Austria and that if a treaty cannot be concluded at this time, the Department will consider alternative courses of action to achieve Western aims in Austria.

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Meanwhile, US Minister Erhardt in Vienna has learned from the Austrian Foreign Office that during a recent conversation with the Austrian Foreign Minister in Moscow, Gromyko, for the first time, failed to give assurances that the Austrian offer in the financial negotiations was being studied. The Austrian Foreign Office added that Gromyko appeared "embarrassed and unusually reticent" at the meeting.

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## FAR EAST

3. CHINA: Possible split in Communist Party--According to US Consul General Shanghai, a Chinese source has told a US official in Shanghai that Communist General Chen Yi, mayor of Shanghai and commander of the Third Field Army, is "fed up" with Soviet influence over the Peiping regime and foresees a possible split in Chinese Communist ranks following Mao Tse-tung's return from Moscow. Chen is allegedly interested in learning whether the US would assist the "China first" group in the event of an open split. The US Consul General has "strong reason to believe" that this approach is "genuine," but recommends that in view of the vulnerability of US personnel in Communist China, the US obtain "infallible proof" that the Chinese source is an authorized spokesman for Chen and that further conversations be carried on in Hong Kong.

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(CIA Comment: The political views attributed to Chen are plausible and find some substantiation in other reports. CIA has no evidence, however, that Chen is prepared to take military action against the "pro-Soviet" leaders of the Chinese Communist Party. CIA further believes that this approach may be an attempt to involve US personnel in Shanghai in an "espionage" trap.)

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GENERAL

1. Schuman's views on Saar agreements--US Ambassador Bruce in Paris has been informed by French Foreign Minister Schuman that he has no intention of entering into any agreement with the Saar that does not specifically provide that the agreement is "in every respect" subject to an eventual peace treaty. Schuman added that he felt such a provision would largely still the present excitement over the issue. Although Schuman would not promise that French leases on Saar coal mines would not extend beyond the date of a peace treaty, he pointed out that the proposed 50-year period for the leases was simply a suggestion of technical experts. The French Foreign Minister was not willing to postpone the opening of the Franco-Saar conference (scheduled for 7 February), but he indicated that the negotiations will require a long time and could be deliberately lengthened. (German Chancellor Adenauer has indicated his strong opposition to any hasty decisions regarding the Saar.) Schuman emphatically asserted that the Saar difficulties would not alter the determination of the French Government to have West Germany become an associate member of the Council of Europe.
2. Interpretation of "new" Soviet attitude--US Ambassador Kirk in Moscow interprets Vishinsky's reply to Secretary Acheson's recent statement concerning Soviet imperialism in China as one more example of the "rashness" being displayed by Soviet officials as they become convinced that the Soviet position is improving and the Western position deteriorating. As further evidence of Soviet "rashness," Kirk points to recent aggressive statements of top Soviet officials and to the Communist treatment of Western

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nationals and property in China and Eastern Europe. Kirk expresses the opinion that the increasing Soviet aggressiveness is a reflection of Stalin's belief that with China won and an economic crisis developing in the West, he need no longer placate the US or try to "mask his intentions" for furthering a world revolution.

(CIA Comment: CIA believes that the recently increased Soviet pressure represents a continuation of the Communist strategy of challenging any Western positions which appear weak.)

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## GENERAL

1. Early Trieste settlement urged--US Embassy Belgrade reiterates its firm belief that an early settlement of the Trieste problem by direct negotiations between Italy and Yugoslavia would be very much to US advantage. The Embassy strongly endorses the idea of a joint US-UK demarche to Italy and Yugoslavia and points out that the UK Foreign Office also believes an early settlement is desirable. In addition, the Embassy expresses the opinion that the Yugoslavs are sincerely desirous of an early settlement of the Trieste issue because Soviet acceptance of the US-UK-French declaration in 1948 favoring the return of all of the Trieste Territory to Italy would place the Yugoslav Government in an "obviously critical" position. The Embassy comments that there is no prospect of an Italian compromise unless US influence is exerted to alter the "negative attitude" of the Italians.

(CIA Comment: CIA believes that the reluctance of the Italian Government to engage in direct negotiations with Yugoslavia regarding Trieste probably reflects concern over the internal political repercussions which would result from any major reduction in Italian claims. CIA further believes that the gradual improvement of over-all relations between Italy and Yugoslavia, now in progress, will eventually facilitate an Italian-Yugoslav settlement of the Trieste issue.)

2. Views on UN seating of Chinese Communists--The US Delegation to the UN expresses the opinion that it would be in the interest of the US to accept the UN seating of Communist China's representatives in due course "as gracefully as possible and without unnecessary delay." The Delegation suggests that this policy be followed irrespective of the timing of US recognition of the Chinese Communist Government.

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## GENERAL

1. Views on possible Trieste settlement--Acting US Political Advisor Judd in Trieste transmits the view of General Airey, Commander of the British-US Zone, that the Allied Military Government (AMG) in Trieste should be terminated before the expected end of the European recovery program in 1952. According to Judd, General Airey believes that AMG's problems are sure to increase and that Allied withdrawal now is likely to be less awkward than at a later date. Airey also expressed the opinion that although British and US pressure may be necessary, present circumstances are favorable for direct Italo-Yugoslav negotiations on the Trieste problem. Airey believes that the Allies should retreat as little as possible from their present stand that the entire Trieste territory be returned to Italy and that negotiations should be prolonged at least until Atlantic Pact arrangements near completion. Judd comments that he personally favors, as a means of obtaining some indication of Tito's intentions, a preliminary and informal approach to the Yugoslavs with the clear statement that "the US would be unable to support Yugoslav territorial and other claims."

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## GENERAL

1. Views on Soviet strategy--US Embassy Moscow, comment- s/s  
ing on British and French views that the USSR is easing tension in Western Europe and shifting its attention to the Far East; expresses the opinion that during 1950 Communist moves in the Far East will be more dramatic than those in Europe, but considers it erroneous to assume that Soviet "attention" to the Far East implies "material Soviet neglect of Western Europe."

(CIA Comment: CIA agrees that the USSR has neither abandoned its objectives in Europe nor will relax its efforts to achieve them.)

2. Austrian views on Treaty prospects--Austrian Foreign s/s  
Minister Gruber has informed US representative Reber in London of his conviction that the USSR has no intention of concluding an Austrian treaty at present. Gruber fears that the USSR has some definite drive in mind for 1950, possibly involving increased sabotage tactics by local Communists, and is thus anxious to counteract any Soviet allegations concerning Western responsibility for the deadlock. Gruber therefore recommends that when treaty negotiations are resumed on 15 February the Western Powers make every effort to dispose of the unagreed articles, thereby depriving the USSR of any pretext other than the Vienna financial negotiations for stalling on the treaty.

(CIA Comment: CIA believes that the USSR will not conclude a treaty on terms satisfactory to the West. CIA further believes that instead of agreeing to a treaty the USSR will: (a) attempt to force the Austrian Government to negotiate a bilateral agreement; and (b) begin to utilize its occupation power to undermine the authority of the Austrian Government in the Soviet Zone.)

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## EUROPE

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3. YUGOSLAVIA: Tito's views on Cominform rift--In a friendly and frank interview with US Ambassador Allen, Tito expressed the view that the USSR would do everything short of war to cause Yugoslavia to "crumble politically and economically." Tito appeared to regard with some seriousness the possibility that unrest might develop in Yugoslavia as a result of: (a) economic hardships caused by Soviet economic pressure; and (b) the infiltration of Soviet agitators. Tito made no specific requests for US assistance, but considered it essential that close economic relations be developed with the US.

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## GENERAL

1. Views on the Soviet UN walkout--US Embassy Belgrade transmits the opinion of the Yugoslav Government that the Soviet walkout from the UN is part of a scheme to isolate Communist China from contacts with the outside world. According to the Embassy, the Yugoslav Government believes that the USSR does not "really want":
- (a) the Chinese Communists to be seated in the UN; or
  - (b) the US to recognize the Chinese Communist Government. Meanwhile, the US delegation at the UN reports the fears of Secretary General Lie that unless the controversy over the seating of the Chinese Communist delegation is resolved within four to six weeks, the USSR may "stay out of the UN for good, keep the Chinese Communists out and proceed to set up a rival organization comprehending perhaps 7 to 8 hundred million people."

CIA/S  
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(CIA Comment: CIA concurs with the Yugoslav opinion that the USSR is seeking to discourage US recognition of Communist China. CIA further believes that:

- (a) the Kremlin may wish to delay the seating of the Chinese Communists in the UN until satisfactory political and economic arrangements with Mao have been concluded; and
- (b) the USSR is unlikely to withdraw from the UN permanently.)

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## GENERAL

1. French propose Western conference on Austria --The French Government has proposed to the US and the UK that a conference be held soon on a governmental level to consider Western policy in Austria in the event that a treaty is not concluded. The French favor strengthening the internal authority of the Austrian Government and propose a considerable reduction in the administrative duties of the occupation authorities. In conclusion, the French point out that they do not contemplate the reduction of occupation troop strength and stress that they do not wish to prejudice the treaty negotiations, weaken the quadripartite system, contribute to the partition of Austria, or give the impression that the Western Powers are seeking a separate treaty.

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## GENERAL

1. Views on admission of Chinese Communists to UN--The US Delegation to the UN has expressed its belief that in view of the basic US policy to preserve the peace through collective action in the UN, it is to the interest of the US that the USSR resume participation in the UN as early as possible. The US Delegation also believes that: (a) the trend of developments may inevitably transform what is probably intended as a temporary Soviet withdrawal into a permanent one; and (b) the issue of Chinese Communist representation in the UN is not necessarily "a favorable one" on which to risk Soviet withdrawal. The Delegation concludes that in the absence of countervailing considerations, the US should cease discouraging other UN members either from recognizing the Chinese Communists or from voting against seating the Chinese Communist representatives in the UN.

CIA-S

(CIA Comment: CIA believes that early seating of the Chinese Communist delegation by the UN would bring about the termination of the Soviet walkout.)

2. French reaction to Soviet recognition of Ho Chi Minh--US Ambassador Bruce in Paris expresses the view that Soviet recognition of Ho Chi Minh, with its implicit attack on "the integrity of the French Union," will: (a) induce a violent reaction in France; (b) sharpen French non-Communist opposition to the Communists; (c) strengthen the will of the people and Government to resist and contain Communist pressure; and (d) by quickening national pride in France, increase popular support for a more cohesive and determined policy toward the USSR. Pointing out that the US may soon be faced in Indochina with a situation

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French on the diplomatic level--the US and the UK, for example, plan shortly to extend recognition to the French-sponsored Bao Dai regime--such actions are unlikely to halt the present trend in Indochina. Prospects for obtaining additional diplomatic support for the French or Bao Dai are poor in view of the unwillingness of most Asian nations to assist what they regard as a "colonialist" puppet regime. In fact, many of these nations can interpret Soviet and Chinese recognition of Ho as concrete action in support of Asian nationalism.

In resisting the Communist advance, France can now turn for assistance only to the US, which, in the face of recent actions by the USSR and China in seizing the initiative in Southeast Asia, is now confronted with the general alternatives of either increasing its support of Bao Dai or withdrawing such support as has already been afforded. Adoption of the first alternative sets up Bao Dai as the principal anti-Communist instrument in Indochina, despite the inherent weakness of his position. Asian nations, moreover, would tend to interpret such US action as support of continued Western colonialism. The second alternative, which would result in the inevitable downfall of Bao Dai, would open the way for intensified Communist action in Southeast Asia and would render increasingly difficult the containment of Soviet influence throughout the Far East.

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## FAR EAST

1. INDONESIA: Westerling threat reported lessening--US Ambassador Cochran in Jakarta has been assured by the Netherlands High Commissioner in Indonesia that he now has the cooperation of local Netherlands military leaders and that the threat posed by the activities of the ex-army insurrectionist Westerling is declining. Cochran also transmits evidence from Indonesian Government sources indicating that Westerling and his associates had been financed by Dutch officials. Cochran, however, recommends that no US representations on the subject be made to the Netherlands Government on the grounds that the best results can be achieved if negotiations concerning Westerling are left directly to Indonesian and Netherlands officials in Jakarta.

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similar to that formerly prevailing in Greece, Bruce recommends that the US: (a) stigmatize the Soviet action as a breach of the principles of international relations and a threat to world peace; (b) recognize Bao Dai immediately after French ratification of the Bao Dai accords; and (c) announce and extend at once any military or economic aid to Bao Dai which the US may contemplate.

(CIA Comment: CIA believes that the French Government's policy in Indochina will now gain considerable political and popular adherence in France among all non-Communist elements, including the Socialist Party.)

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## A N N E X

1 February 1950

IMPLICATIONS OF SOVIET RECOGNITION OF THE  
HO REGIME IN INDOCHINA

Soviet recognition of Ho Chi Minh's "Democratic Republic of Vietnam" early this week, following similar action by the Chinese Communists, has jeopardized the already uneasy position of the French--and the French-sponsored Bao Dai regime--in Indochina. The implicit threat in the Communist diplomatic maneuvers is strengthened by the presence of Chinese Communist forces on the Indochina frontier and their ability to make substantial military supplies available to the pro-Communist Ho regime. This combination of political and military pressure may, by itself, force the French to withdraw from Indochina within a year. In the unlikely event that the Chinese Communist Government should send a major military force into Indochina for action against the French, French withdrawal could be expected within six months.

If France is driven from Indochina, the resulting emergence of an indigenous Communist-dominated regime in Vietnam, together with pressures exerted by Peiping and Moscow, would probably bring about the orientation of adjacent Thailand and Burma toward the Communist orbit. Under these circumstances, other Asian states--Malaya and Indonesia, particularly--would become highly vulnerable to the extension of Communist influence.

Meanwhile, by recognizing the Ho regime, the USSR has revealed its determination to force France completely out of Indochina and to install a Communist government. Alone, France is incapable of preventing such a development. Although Western nations are committed to support of the

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## GENERAL

1. French views on Indochina --According to US Ambassador Bruce in Paris, Parodi, Secretary of the French Foreign Office, is very "gloomy" about the implications for Indochina of recent Soviet actions. Parodi is inclined to believe that the Chinese Communists will grant strong support in equipment and technicians to the Vietnamese guerrilla leader Ho Chi Minh and that they may even launch a direct military assault against Indochina. Parodi stated that the French, in either case, could not withstand indefinitely and that his Government was planning to make inquiries concerning US intentions if such developments should materialize.

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(CIA Comment: CIA believes that the Chinese Communists can make substantial military supplies available to Ho Chi Minh but that they are unlikely to send a major military force into Indochina.)

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## GENERAL

1. UK recognition of Bao Dai imminent--Embassy London has been informed by the UK Foreign Office that it will announce recognition of Bao Dai's regime in Vietnam, together with the governments at Laos and Cambodia, as "associated states" of the French Union on or shortly after 7 February 1950. The Foreign Office points out that although a number of special problems arise from the fact that the three Indochinese states are not "fully independent," overriding political considerations assure UK recognition. Meanwhile, Embassy Belgrade expresses the belief that the Government of Yugoslavia will extend recognition in the near future to the rival pro-Communist Vietnamese regime under Ho Chi Minh.

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## GENERAL

1. US to recognize Bao Dai--The Department of State has informed US Consul General Saigon that after consultation with the French High Commissioner and immediately following British recognition of Vietnam and neighboring Laos and Cambodia, he is to present messages from the President of the United States to Bao Dai, the Emperor of Vietnam, and to the Kings of Laos and Cambodia, extending recognition to their states as independent members of the French Union. The US notes will invite an early exchange of diplomatic representatives; Consul General Saigon is advised that the US plans to establish a Legation at Saigon as soon as possible with a single Minister accredited to the three states.

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## GENERAL

1. French views on status of Indochina--US representative Gullion in Paris has been informed by Parodi, Secretary-General of the French Foreign Office, that the French Government is unable at this time to issue a statement outlining a plan for "evolutionary" development in Indochina. Parodi points out that the Government cannot tell the French Parliament the agreements just ratified are of "merely passing value" and comments that the French cannot afford to "kindle unrealistic nationalist appetites" in Indochina that would have to be disappointed later. Parodi adds, however, that "important extensions" of the 8 March 1949 Franco-Vietnam agreement will be made, and he cites as an example the recent permission given the Vietnamese to establish missions in London and Washington. Parodi concludes that the French, "after thoughtful consideration," intend to seek US and UK views on the very serious problems in Indochina.

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## FAR EAST

2. CHINA: Shanghai air raid damage reported to be severe--US Consul General Shanghai reports that the Chinese Nationalist air raid of 6 February resulted in severe damage to the city's power facilities. The Consul General estimates that the necessity to maintain essential public services will result in a heavy cut in the amount of power normally supplied to industrial users and transmits the opinion of top officials in the Shanghai Power Company that a continuation of such damaging air raids during the next few days would render Shanghai "virtually untenable."

(CIA Comment: CIA believes that although the 6 February raid caused considerable temporary disruption in Shanghai, its broader significance in terms of Nationalist military capabilities or the effect on Communist China cannot be established unless frequent raids of similar weight and accuracy are staged.)

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## GENERAL

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1. Gruber reviews Austrian treaty situation--US Minister Erhardt in Vienna has been informed by Austrian Foreign Minister Gruber that a bluntly worded note will be delivered to the Soviet Foreign Office, insisting on the resumption of the Austro-Soviet financial talks (which have been delaying the treaty negotiations in London). Gruber reiterated the hope that the Western deputies in London would reach agreement with the Soviet deputy on all issues other than financial settlement for the USSR in Austria so that blame for failure to conclude a treaty would be placed squarely on the USSR. The Austrian Foreign Minister added that strong words from the Austrians and the Western Powers might have a "restraining influence" upon the USSR in its plans for Austria and expressed the fear that prolonged Soviet occupation might lead to communization of eastern Austria and to eventual partition of the country. Erhardt comments that Gruber would like to arouse similar apprehensions among the Western Powers as a means of ensuring a determined effort to obtain an agreement on a treaty.

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## GENERAL

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1. French to ask US-UK consultation on Indochina --According to US Ambassador Bruce in Paris, a high official of the French Foreign Office has informally advised the US Minister in charge of MDAP affairs that France intends to approach the US and the UK regarding a tripartite consultation on the entire situation in Indochina. Bruce adds that the French believe: (a) the USSR would not have recognized Ho Chi Minh (Moscow-trained opponent to the French-supported Bao Dai Government in Indochina) unless it had intended to do what it could to support him, probably through a considerable increase in military assistance via the Chinese Communists; (b) in this event the French would find it very difficult "to continue to hold the fort in Indochina alone"; and (c) the time has come to consider the Indochinese situation in its relation to the entire Asiatic and world situation in the struggle against Soviet Communism. The French official pointed out that the Government was not thinking in terms of some limited military aid under the MDAP but wished to discuss the larger political, economic, and military aspects of the problem. The Ambassador comments that there is no sign of a change in French policy since Soviet recognition of Ho, but that the French margin in Indochina is not great, and an all-out attack by Chinese Communists or major assistance to Ho could render the French position in Indochina untenable.

(CIA Comment: CIA believes the French will press for speedy US and UK aid to bolster their own and Bao Dai's position in Indochina. CIA further believes that if the military situation in Indochina worsens considerably in the next six months, the French Government would be compelled to consider reversing its policies in Indochina, including the possibility of withdrawing its military forces.)

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2. Effects of possible Yugoslav recognition of Ho Chi Minh--  
 The Department of State has instructed US Ambassador Allen in Belgrade to inform the Yugoslav Government that the US is seriously concerned over the possibility that Yugoslavia may recognize the Communist-led Ho Chi Minh regime in Indochina. The Department points out that such Yugoslav action would: (a) strengthen the very forces against which Yugoslavia is fighting for its independence; (b) raise insurmountable difficulties in the US for providing further support for Yugoslav independence; and (c) lead to an increase in French demands on the US for assistance in supporting the Bao Dai Government in Indochina. The Department comments that the limited resources of the US cannot be dissipated in any such fashion.

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## EUROPE

3. YUGOSLAVIA: Increased aid from West requested--  
 Yugoslav Foreign Minister Kardelj has presented an urgent oral request through US Ambassador Allen in Belgrade for increased US economic assistance. In support of his request, Kardelj pointed out that Yugoslav economic conditions are becoming increasingly difficult and that the USSR would consequently redouble its efforts to unseat Tito in 1950. The Foreign Minister added that if Yugoslavia had to balance 1950 exports against import needs, the Yugoslav standard of living would be depressed and the resulting internal difficulties would provide much ammunition for hostile Cominform propaganda. Allen comments that in view of both political and economic considerations, it would be highly important to ease the present Yugoslav foreign trade difficulties.

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(CIA Comment: CIA believes that Yugoslavia's present economic situation, including present and contemplated Western aid, does not justify the alarm expressed by the Yugoslav Foreign Minister.)

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## GENERAL

1. Italy may be willing to negotiate Trieste settlement--

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US Ambassador Dunn in Rome has been informed that the Italian Government would be willing to enter into direct negotiations with Yugoslavia to settle the Trieste problem only if assured that the Yugoslav Government is ready to begin serious talks on the basis of the tripartite declaration of 20 March 1948, which favored Italian control over all of the Territory of Trieste. Dunn adds that the Italian willingness to consider negotiations arises from the beliefs that: (a) the US is now in a position to make informal inquiries regarding Yugoslav intentions without jeopardizing Italian adherence to the tripartite declaration; and (b) a spring political crisis may occur in Yugoslavia and Italy would have no hope of obtaining agreement from a Soviet-controlled successor to Tito.

(CIA Comment: CIA believes that Italy will not engage in negotiations with Yugoslavia on Trieste except on the basis of the tripartite declaration. CIA further believes that although preliminary talks may take place between Italy and Yugoslavia, there is little likelihood that these talks will lead to formal negotiations for settlement in the near future.)

2. Yugoslav-Satellite relations-- US Ambassador Allen in Belgrade has been informed by Yugoslav Foreign Minister Kardelj that although Yugoslavia's diplomatic relations with all the Satellites have long been at the breaking point, Yugoslavia would hold out "as long as humanly possible." Kardelj pointed out, however, that the endurance point has

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almost been reached, particularly in Bulgaria and Albania. The Foreign Minister added that Satellite treatment of Yugoslav diplomats in Sofia has been "inhuman beyond description" and that the Yugoslav Ambassador in Rumania had been recalled but has been unable to obtain an exit visa.

(CIA Comment: CIA believes that Yugoslavia will probably be forced to withdraw more and more representatives from the Satellites as the Kremlin continues its efforts to isolate Yugoslavia from Eastern Europe.)

3. Yugoslav views on UN seating of Chinese Communists--The US Delegation to the UN transmits the opinion of Yugoslav Security Council representative Bebler that the fundamental issue involved in seating the Chinese Communists in the UN is the independence of China. Bebler feels sure that this question must be connected with Mao's long stay in Moscow and believes that the longer the Chinese Communists are kept out of the UN, the more the West will be helping the Soviet effort to isolate China from the West and to destroy Chinese independence. C/A - C
  
4. Thailand to delay recognition of Bao Dai--US Embassy Bangkok has been informed by Premier Phibul that the Thai Government intends to delay recognition of the Bao Dai regime in Indochina "for the time being". In support of the Thai decision, Phibul pointed out that considerations favoring recognition are outweighed by Thai desires, in common with those of other Asian peoples, to see nations still considered to be under "colonial domination" achieve "real freedom and independence". The Premier added that the Thai people are not convinced that Bao Dai and his government have yet achieved real freedom, independence, or a large measure of popular support. C/A - S

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## GENERAL

1. US views on anti-US restrictions by Satellites--The Department of State has expressed to US Embassy Prague, in an analysis of current US-Satellite relations, the view that recent anti-US restrictions in Czechoslovakia are part of a general pattern under "central direction" with the intent of reducing Satellite contacts with the West to an absolute minimum. The Department suggests that if this interpretation is correct, a stormy period ahead may be anticipated, with added difficulties and obstruction in Czechoslovakia and the other Satellite countries and a consequent deterioration in US-Satellite relations. The Department declares that in devising tactics to counter this attempt to reduce US operations or possibly to drive the US out of Czechoslovakia, the paramount objective must be to maintain contact with the Czechoslovak people. The Department points out that this consideration may make the US reluctant on occasion to take strong action which might seriously impair this contact.

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## GENERAL

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1. US views on Trieste question--The Department of State has instructed US Embassy Rome to inform the Italian Government that the US would approve of the spontaneous initiation of direct Italo-Yugoslav discussions on the Trieste problem. In commenting for the Ambassador's information on a possible Trieste settlement, the Department warns against basing the Italo-Yugoslav discussions too solidly on ethnic principles, because this might call for "unreasonable" Italian concessions. The Department suggests that if the Italo-Yugoslav discussions are successful, an interim de facto regime might be established in Trieste to continue until the amendment of the peace treaty and the termination of Security Council responsibility. The Department also expresses the opinion that if the US were to open discussions now with the Yugoslavs on the substance of the Trieste problem, the full force of the tripartite declaration on Trieste would immediately be broken.

## NEAR EAST-AFRICA

2. INDIA-PAKISTAN: Former Indian Army chief predicts war--US Embassy Karachi has been informed that Field Marshal Auchinleck, following a tour of Pakistan Army units, has privately expressed the belief that "recent troop movements clearly indicate" the probability that a war between India and Pakistan will break out in the early spring of 1950. According to the Embassy, the retired former Commander in Chief of the Indian Army believes that Pakistan is now determined to take the initiative in such a war.

C/A-S

(CIA Comment: CIA believes that although available information does not confirm the "recent troop movements" cited by Auchinleck, his observations, which apparently reflect

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his general feeling that war is inevitable, warrant serious attention. Auchinleck enjoys unique opportunities to obtain information about troop dispositions and attitudes among military leaders and although he has been pessimistic about the future of the subcontinent ever since the British left, there have been numerous other indications that India's continuing hostility might lead the government and people of Pakistan to view war as the sole alternative to slow strangulation.)

US views on Kashmir settlement--The Department of State, in summarizing for US Embassy New Delhi the position of the US regarding the Kashmir dispute, has stressed the importance of an early settlement for the maintenance of peace and security in the "only relatively stable Asian area." The Department states that although an impartial plebiscite will be required in the Vale of Kashmir in any event, the US is prepared to support any settlement acceptable to India and Pakistan, including partition. Pointing out that demilitarization of Kashmir is essential to any final settlement, the Department expresses the belief that the immediate objective is to seek modification of India's intransigence on this point. The Department comments that attempts to assess blame in the Kashmir case would be unfruitful and adds that the Security Council should not permit India's raising of legal questions to divert it from the basic task of bringing about a political solution.

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## FAR EAST

1. BURMA: US attitude toward Burma--The Department of State has informed US Embassy Rangoon that the US is preparing to "take steps to complement" British and Commonwealth efforts towards stabilizing Burma and forestalling Communist subversion in that country. The Department points out that the UK should accept primary responsibility for aid to Burma and that the US program is to be confined mainly to the exchange of personnel and the extension of technical assistance projects designed to increase Burma's capabilities for dealing with its own problems.

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## GENERAL

1. Philippine bid for Pacific union--The Department of State has been informed that Philippine UN representative Romulo has issued an invitation to eight Pacific and Southeast Asian countries to meet during March 1950 "to ascertain whether agreement could be reached" on a non-Communist regional association limited to political, cultural, and economic affairs. According to Romulo, Burma, Indonesia, Pakistan, and Thailand have already indicated their willingness to attend the meeting; Australia, New Zealand, Ceylon, and India were also invited. Meanwhile, the Department has learned that although New Zealand would be interested in a Pacific security pact which included the US and the UK, the New Zealand Government "does not look with favor" on Romulo's projected organization.

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GENERAL

1. Australian views on Dutch New Guinea--US Charge Foster in Canberra has learned that Australian Foreign Minister Spender has sent a note to the Netherlands Government proposing that an "exchange of views in the near future" take place regarding the future administration of Dutch New Guinea. The Australian Foreign Minister points out that Australia has "vital strategic interests in Dutch New Guinea" and that the future of that area directly concerns Australia. Spender expresses the opinion that the inclusion of Dutch New Guinea in the United States of Indonesia might result in that area's being "undeveloped, undefended and a major weakness" in strategic planning for Southeast Asia. Spender adds that Australia proposes, subject to any contrary advice the Netherlands might offer, to send a note to the United States of Indonesia "emphasizing Australia's vital interests in the future administration of Dutch New Guinea." Meanwhile, the Chief of the Far East Division of the Netherlands Foreign Office has informed US Ambassador Chapin at The Hague that the Australian note is being studied. The Netherlands Foreign Office representative characterized the Australian note as "extraordinary" and remarked that his government has no intention either of answering the Australians until it is "good and ready" or of antagonizing the Indonesians by "cooking up" some arrangement over Dutch New Guinea with Australia without prior consultation with the Government of Indonesia.

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## GENERAL

1. Soviet motives in Berlin traffic situation--US High Commissioner McCloy in Frankfurt suggests that the intermittent slowdown of truck traffic to Berlin may be motivated by Soviet desires to: (a) prevent the unauthorized shipment of materials and goods from the East Zone; (b) divert shipments from trucks to trains, because the Reichsbahn needs the revenue and trains are easier to control; and (c) test the firmness of Western policy in Berlin. McCloy expresses the opinion that pressure on the USSR through a selective embargo on industrial and raw material items badly needed in the Soviet Zone would be more effective and less open to Soviet reprisal than a general imposition of traffic restrictions.

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(CIA Comment: CIA concurs in this analysis of the Berlin traffic situation.)

2. ECC views on strikes against military aid shipments--The US coordinating committee for European military aid (ECC), in estimating the purposes of the current Communist strike campaign against MDAP shipments, expresses the view that the principal objectives are to: (a) exploit European popular fear of war by instilling doubts regarding the objectives of the North Atlantic Pact and US policy; and (b) convince the US Congress and US public that MDAP is a waste of money and equipment because European recipients of military aid are unreliable allies. ECC believes that physical interference with MDAP shipments is a secondary objective and that the Communists have no illusions regarding their ability to interfere seriously with deliveries.

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3. France to call on US for aid to Indochina--According to US Charge Bohlen in Paris, French Ambassador Bonnet in Washington has been instructed to request large-scale US assistance to Indochina on a long-term basis. Bonnet's instructions reportedly convey the view of the French Government that a US-UK-French conference on Indochina is less urgent at this time than a direct approach to the US with a view to ascertaining the general attitude of the US. Bohlen recommends that Bonnet be impressed both with the importance of development by the French of a "concrete and realistic" program for Indochina and with the primary responsibility of France in that area. S - 5
4. Proposals to improve Austrian position--US Minister Erhardt in Vienna expresses the view that in the event there is no Austrian treaty, the Western Powers should take steps to strengthen the sovereign control of the Austrian Government. As preliminary measures, Erhardt suggests that the Western Powers first propose to the USSR the immediate termination of the occupation; if this is refused, the West should press the USSR to agree to a substantial reduction of occupation forces, abolition of zonal boundaries, renunciation of occupation costs, and elimination of unnecessary functions of the Allied Council. Erhardt adds that after Soviet rejection of all these proposals, which would demonstrate Soviet responsibility for the continued occupation, the Western Powers could proceed with their own measures to strengthen Austria by: (a) a renunciation by the UK and France of claims for occupation costs; (b) termination of the few unilateral controls in the Western zones; (c) the appointment of a civilian High Commissioner, who would symbolize the end of the military phase of the occupation; and (d) a reduction in occupation forces. S - 3

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## NEAR EAST- AFRICA

1. PAKISTAN: Pakistan said not to plan military attack--  
US Military Attache in Karachi reports, after conversations with important Pakistani officials and military men, that Pakistan has no offensive plans aimed against India and that any recurrence of fighting in Kashmir will have to be started by India. He also reports that Auchinleck has seen no evidence of anything but defensive military activities in Pakistan.

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(CIA Comment: Field Marshal Auchinleck's latest statement contradicts one previously attributed to him to the effect that recent troop movements seen by him indicated that war might be imminent and might be started by Pakistan.)

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## GENERAL

1. Western European attitude toward defense planning--The US coordinating committee for European military aid (ECC) expresses concern over the first signs of diminishing European public conviction of the "essential rightness" of proceeding resolutely with combined North Atlantic Treaty defense planning. ECC believes that development of this tendency, together with such unsettling events as the H-bomb and Soviet successes in the Far East, "could lead to a resurgence of the neutrality complex" in Western Europe and a weakening of the will to build Western solidarity and strength.
2. Southeast Asian views on the Bao Dai Government--The Assistant Secretary of State for Far Eastern Affairs, in reporting the impressions gained from the recently concluded US diplomatic conference in Bangkok, expresses the opinion that Bao Dai's Asian neighbors consider him to be a "French puppet" and are not prepared to support his government unless its status is modified drastically. The Assistant Secretary recommends that US assistance to Indochina be contingent upon a public agreement by the French to take steps which would lead to Indochina's achieving a status similar to that of Indonesia.

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## GENERAL

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1. Reported Soviet military preparations in Austria--US Ambassador Johnson in Rio de Janeiro reports that the Brazilian Minister in Vienna has been informed by Austrian Foreign Minister Gruber that he is "absolutely sure" the Soviet command in Vienna began about twenty days ago military preparations which indicate the USSR is planning large-scale military action. In support of his conviction, Gruber stated that: (a) new strategic points in Austria have been occupied by considerable Soviet forces; (b) large quantities of modern materiel and equipment are continuously arriving at Soviet garrisons; and (c) Soviet lines of communication are being carefully protected by new contingents of selected troops. Gruber also assured the Brazilian Minister that he is expecting momentarily a Soviet "surprise" in Europe, not excluding the possibility of the opening of hostilities in some sector.

(CIA Comment: CIA has no reliable information justifying the belief that the USSR is planning large-scale military action in Europe in the immediate future. CIA believes, however, that the preponderance of Soviet military strength in Europe and stringent security measures in the Soviet sphere provide the USSR with the capabilities for initiating military operations with little or no advance information becoming available to the Western Powers.)

2. Increased Communist pressure in Southeast Asia predicted--US Ambassador Kirk in Moscow suggests that the recently concluded Sino-Soviet Treaty prepares the way for these two principal partners in World Communism to assume in the near future "militant initiative in Southeast Asia to a maximum degree short of open war." The Ambassador believes

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that Stalin and Mao probably estimate that Communist expansion in Southeast Asia in the near future is both militarily and politically feasible. Kirk considers Burma and Indochina to be the prime targets in Southeast Asia because their inclusion in the Communist sphere would advance Communist forces toward the goal of world domination and because these countries, plus Thailand, would provide China with a solution to its food problem.

(CIA Comment: CIA concurs in the above estimate of Soviet intent in Southeast Asia.)

3. Dutch attitude on New Guinea--US Embassy Jakarta transmits the opinion of Netherlands High Commissioner Hirschfeld that failure to accede to Indonesian requests for sovereignty over Dutch New Guinea at the forthcoming Dutch-Indonesian conference will mean only "continued trouble" for the Netherlands Government. The High Commissioner believes that the New Guinea question should be negotiated directly between the Netherlands and Indonesian governments and that the Dutch could participate "profitably and happily" in the development of a New Guinea which had been "peacefully" transferred to Indonesia. Meanwhile, US Embassy Canberra reports that the Australian Government probably will not follow through with its plan to approach the Indonesian Government regarding Australian interests in New Guinea. S-TS  
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4. Views on Asian union--US Ambassador Stanton in Bangkok transmits the conclusion of the Bangkok Conference of US Chiefs of Missions that there is "an unfortunate lack" of interest in a regional association among Asian and South S-TS

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Pacific states. Burma, Ceylon, India, Japan, and Pakistan reportedly regard such a regional association coolly; Indonesia prefers to work alone for the time being; Australia is unenthusiastic; New Zealand wants only a Pacific pact with the US, Australia, and the UK. Korea strongly favors an association and Thailand is interested. All the states (except Korea) are opposed to an open anti-Communist bloc or a military alliance.

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## GENERAL

1. Prospects for East-West accord reviewed--US Ambassador Kirk in Moscow, in commenting on recent public proposals for high-level talks between the US, the UK, and the USSR, expresses the opinion that there are no new developments in Moscow indicating improved prospects for a basic settlement between the West and the USSR. Kirk adds that he does not expect a worthwhile agreement until the free world's collective security attains sufficient stability and promise of permanency to raise doubts in the minds of the Soviet leaders regarding their chances for gaining control of the world for Communism. The Ambassador also believes that an East-West compromise at this time can only be to the advantage of the USSR.
2. Yugoslavs reportedly refuse to compromise on Trieste--US Ambassador Dunn in Rome has learned from the Italian Foreign Office that Yugoslav Foreign Minister Kardelj recently stated in most emphatic terms that "under no circumstances" would Yugoslavia consider abandoning to Italy any portion of the Free Territory of Trieste now occupied by Yugoslavia. Dunn observes that this position is contrary to the whole spirit of the informal Italo-Yugoslav talks, which up to this time had been going quite favorably. The Ambassador adds that the Italian Government is most disappointed over this development, which would seem to put an end to the present attempt to settle the Trieste issue, unless the Yugoslavs were making a bargaining gesture.
3. Views on Yugoslav recognition of Ho Chi Minh--US Ambassador Allen in Belgrade suggests that it would have been virtually impossible for Yugoslavia, as an avowed Marxist state, to refuse the request of Ho Chi Minh (Moscow-trained

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leader opposing Bao Dai) for recognition of his regime as the government of Indochina. Allen points out that the Yugoslavs have been most anxious to establish contact with the Chinese Communists in order to hasten a split between Mao and the Kremlin and that Tito sees a possibility of accomplishing this through Ho. The Ambassador comments that Yugoslavia's primary value to the US at the moment arises from its position as a Marxist state independent of both the Cominform and the West and that Tito's recognition of Ho is consistent with his "independent" position.

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## GENERAL

1. French views on Indochina--US Ambassador Bruce in Paris has been informed by French Foreign Minister Schuman that he regards Indochina as primarily a French responsibility and that he would like to get immediate US aid in considerable quantities. According to Bruce, Schuman believes that French evacuation of Indochina would: (a) lead to a massacre of French troops, French civilians, and natives; (b) cause grave political disturbances in France; (c) have a serious effect on the French Union, especially in Africa; and (d) create an impression of Western defeatism. Schuman asserted that France's ability to continue in Indochina would have to be considered in connection with the overall policy to be adopted by the US, UK, and France in regard to the Far East. Meanwhile, the Secretary General of the French Foreign Ministry has told Bruce that France intends to follow an "evolutionary process" with the Indochinese regimes, but doubts the wisdom of publicizing this intention.
2. Southeast Asia situation reviewed--US Ambassador Kirk in Moscow expresses the belief that "everything possible short of involvement of US fighting forces" should be done to stop the Communists before they control Indochina, Thailand, and Burma. The Ambassador, in support of his position, expresses the view that: (a) "drawing the line" at the Chinese border will have a vital psychological effect throughout Asia; and (b) preventing the Chinese Communists from extending their influence in Southeast Asia and from obtaining foodstuffs there will expose Sino-Soviet relations to a strain which both partners may be hoping to avoid. Kirk points out that Japan's economic development

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is dependent upon markets in non-Communist Asia and comments that the acquisition of Southeast Asia by the Communists would increase the attraction to the Japanese of eventual alignment with the Communists.

#### EUROPE

3. HUNGARY: Attack on US Legation--US Legation Budapest suggests that the recent Hungarian accusation that the US maintains an oversized Legation staff for espionage purposes is designed to force the US to take the initiative in reducing its Legation staff. The Legation points out that refusing to dismiss its Hungarian employees would probably lead to their arrest, whereas dismissing them would leave them jobless and "branded" as enemies of the state.

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## GENERAL

1. British release aircraft to Chinese Communists--US  
Consul General Rankin in Hong Kong reports that the British court in Hong Kong has lifted the injunction involving the assets of two Chinese airlines and that only registration formalities remain to be accomplished before the Communists fly the aircraft away. Rankin believes that the actions of Hong Kong executive and judicial authorities can be explained only if they have been in possession of highly secret instructions from London to see that the Communists obtain the aircraft under any circumstances. Rankin points out that this action demonstrates a fundamental divergence between the US and British attitudes toward Communist China.

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## GENERAL

1. Yugoslavia believed willing to compromise on Trieste--US Ambassador Allen in Belgrade, in discussing recent reports that Yugoslavia would refuse to enter into negotiations involving a sacrifice of Trieste territory, expresses the opinion to the contrary that in conversations with Yugoslav officials, changes in the boundaries of the Yugoslav Zone of the Territory of Trieste have always been envisaged. C/A-S
2. Norway does not expect Soviet aggression--US Charge Villard in Oslo has been informed by Norwegian Foreign Minister Lange that information available to him does not indicate that the USSR is preparing any move which is likely to result in hostilities in the near future. Lange added, however, that the cold war "might be stepped up" in certain sectors. S-TS
3. Views on Pacific association--The Department of State has informed Embassy Canberra that the US will watch with greatest sympathy the development of an association of Asiatic and Pacific countries designed to increase cultural, economic, and general cooperation in the area. The Department points out that to have any durable value such an association must have firm roots and indigenous motivation and comments that participation of such states as Australia and New Zealand would have the advantage of ensuring pro-Western orientation of any such association. C/A-S

## EUROPE

4. UNITED KINGDOM: Election results reviewed--According to US Embassy London, the British election impasse is the most undesirable outcome that could have occurred for the C/A-S

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US, UK, and other Western Powers. The Embassy believes that: (a) the situation in the immediate future will certainly be politically unstable; (b) the present government is unlikely to stay in power long; and (c) there is every prospect of another election within a few months.

(CIA Comment: CIA agrees with the above estimate. CIA also believes that although Britain will be weakened because a strong domestic policy will be impossible, the direct effect of the election impasse upon foreign policy and upon military and security commitments will be minimized because of the substantial agreement among all parties on these problems.)

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

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

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

#### NEAR EAST-AFRICA

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

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## GENERAL

1. Western European attitude toward neutrality--US Ambassador Bruce in Paris believes that although the question of neutrality in the East-West struggle has been debated in the French press, there is no indication of a swing in public opinion against the North Atlantic Treaty (NAT) and the Military Defense Assistance Program. Bruce is convinced that the French Government retains its original motives and objectives in participating in the collective plan to strengthen the defense potential of Western Europe.

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US Ambassador Murphy in Brussels expresses the opinion that although the Belgians would probably not fight if attacked during the spring of 1950, the Belgian Government and people are firmly committed to the concept of NAT. Murphy adds that the Belgians would fight at a later date if they thought their side would be successful, but that they have no desire to be "liberated again."

US Charge Villard in Oslo expresses some concern over what seems to be growing apprehension among Norwegian newspaper writers and individual businessmen that the hydrogen bomb negates all efforts to prevent war. Villard reports, however, that he has detected no sign of doubts or waning enthusiasm in government circles or among Norwegian people generally regarding the principles of mutual defense.

US Embassy The Hague believes the Dutch are "not greatly attracted by the neutrality idea." The Embassy adds, however, that there are indications of a revival of neutrality sentiment among Western Europeans and that there is some suspicion that the US has abandoned the policy of containing the USSR without making an alternative known.

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## EUROPE

2. RUMANIA: Reaction to US withdrawal from Bulgaria-- US Minister Schoenfeld in Bucharest, in describing the effect of the suspension of US-Bulgarian relations on the people of Rumania, reports that the initial gratification of the non-Communist majority at the vigorous US action has been followed by a sense of discouragement. According to Schoenfeld, this "deepened dismay" results from a growing belief that the US action in Bulgaria was in substance a retreat and may presage retirements from other Eastern European countries. C/A-S
3. HUNGARY: Legation position reviewed--US Minister Davis in Budapest expresses the opinion that an abrupt reduction of the Legation staff would cause the US to lose so much prestige that continuation of US representation would become meaningless. Davis points out that such a reduction, following Hungarian charges that the US Legation is a spy ring, would constitute a tacit admission of the truth of the charges. C/A-S
4. YUGOSLAVIA: Tito concerned over possible attack-- US Ambassador Allen in Belgrade has learned that Marshal Tito has expressed serious concern over the possibility of a Cominform attack on Yugoslavia in the spring of 1950. According to Allen's informant, Tito believes such an attack would be designed to eliminate Titoism before it spreads to China and to divert attention within the Satellites from current internal hardships. Tito reportedly believes the greatest safeguard against a Soviet attack on Yugoslavia would be for the US to let the USSR know that C/A-S

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such an attack would start World War III. Allen's informant commented that Tito appeared anxious to dispel the impression given in a recent speech that he was anti-American and that he seemed genuinely worried over the present situation.

(CIA Comment: CIA believes that although Yugoslav leaders are probably genuinely concerned over the possibility of some major Cominform move during the spring of 1950, Tito's current expressions of alarm are calculated primarily to counteract the unfavorable impression resulting from both Yugoslav recognition of Ho Chi Minh in Indochina and recent anti-Western speeches apparently designed for Cominform and internal consumption.)

#### NEAR EAST-AFRICA

5. INDIA - PAKISTAN: Bengal situation termed threat to peace--  
US Ambassador Henderson in New Delhi reports that Prime Minister Nehru and other top Indian leaders have been expressing serious concern over the current communal tension in Bengal and have even asserted that recent developments there present the "most grave" threat to the peace of South Asia since partition. According to Henderson, Nehru has stated that atrocities committed against minorities in East Bengal (Pakistan) have produced an atmosphere which might result in a general exodus of a substantial proportion of East Bengal's 12 million Hindus if India were to permit them to enter; Nehru also expressed fear that a violent communal reaction beyond the ability of the government to control might take place throughout India. Henderson suggests that although British observers question the "authentic quality" of the present Bengal crisis, believing it possibly inspired by a desire to prejudice the UN Security Council debate on Kashmir, the situation remains dangerous if only because of Indian emotion over the matter.

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6. IRAN: Internal situation reportedly deteriorating--US Ambassador Wiley in Tehran expresses the belief that the current situation in Iran is "bad, deteriorating, and dangerous," and that it requires considerably more than "token" economic assistance from the US. Wiley recommends that the US re-evaluate its strategic thinking in connection with Iran and make a definite decision either to let Iran "go down the drain by default" or to attempt something effective.

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(CIA Comment: CIA believes that although the general economic decline in Iran has produced seriously depressed conditions in certain sensitive areas, there is no evidence available to date indicating that distress and unrest are so widespread as to threaten the stability of the country.)

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## GENERAL

1. Possible Egyptian-Israeli peace negotiations--The US member of the UN Palestine Conciliation Commission (PCC) in Geneva has learned from the Israelis of a secret meeting between Israeli and Egyptian PCC representatives regarding the possibility of direct Israeli-Egyptian settlement negotiations. According to the Israelis, the Egyptian representative indicated that some commitment by Israel would be a necessary preliminary to direct negotiations and emphasized Egypt's interest in a territorial settlement in the Southern Negev which would provide contiguity with the other Arab states; the Israelis questioned Egypt's need for such contiguity and suggested that a non-aggression pact might be more palatable to Egypt than a formal peace settlement. The Israelis expressed a belief that the door had been left open for further discussions.

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## EUROPE

2. NORWAY: Reaction to news of H-bomb--US Charge Villard in Oslo transmits the opinion of Norwegian Foreign Minister Lange that there is a definite undercurrent of defeatism and sense of futility in Norway resulting from news of the H-bomb and that there is real danger the idea of neutrality for Western Europe may receive some support in both Norway and Denmark. According to Villard, Lange considers the present US position regarding possible US-USSR atomic discussions "eminently correct and logical" but believes the US must not be put in a position of negativism regarding the atom control problem and that something must be done to demonstrate active and intensive effort toward a solution. Lange also expressed the opinion that

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the Atlantic Pact provides a framework for choosing a spokesman on behalf of all Western nations and that if the US could be chosen as such a spokesman, a meeting between the "two giants" might be the most suitable arrangement.

3. GERMANY: East zone militarization reported--US High Commissioner McCloy in Frankfurt has been informed that a large-scale remilitarization effort is being made in the Soviet zone of Germany, resulting in the formation of a military organization of 40,000 to 50,000 men. The High Commissioner comments that the military capabilities of this organization, which is under complete Soviet control, will remain negligible for at least another eight months. McCloy suggests that a Western protest against Soviet remilitarization activities would: (a) serve as a basis for further Western propaganda against the program; (b) register Western moral indignation; (c) undermine to some extent the current Soviet "peace" propaganda line; and (d) let the East Germans know that the West is "not completely unaware of developments" in the Soviet zone.

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## EUROPE

1. UNITED KINGDOM: Early election considered unlikely --  
US Embassy London expresses the belief, based on information from high sources in both parties, that a new British general election is unlikely before late summer or autumn of 1950. The Embassy also believes there will be substantial agreement between the major parties on foreign policy issues and possibly on defense expenditures and that the government will be disposed to move cautiously and to postpone decisions.

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## GENERAL

1. Developments on Southeast Asian conference--US Embassy Canberra has learned that Australia has declined a Philippine invitation to attend a proposed conference of Asian nations largely because of fears that India "will be unable to send adequate representation" and without India, such a conference would get nowhere. According to source, the Australians are considering taking the initiative in planning regional cooperation by permitting non-commonwealth Asian states to attend an April commonwealth conference in Australia.

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Meanwhile, US Ambassador Henderson in New Delhi expresses the opinion that India would probably be unwilling at present to participate in a conference under Philippine auspices because of the belief that such a conference would be considered anti-Communist in character.

(CIA Comment: CIA believes that the present disagreement between India, Australia, and the Philippines is likely to preclude the holding of any effective Asian conference in the near future.)

## EUROPE

2. UNITED KINGDOM: Churchill's views of political situation--US Embassy London reports that Conservative leader Winston Churchill stated during a recent conversation that his party has always supported the government in matters of real national interest, particularly on foreign policy, and will continue to do so. With respect to domestic affairs, Churchill indicated that the Conservatives would fulfill the function of an active opposition, but would not use their position in a "frivolous manner." Churchill felt that although the new Parliament must be given a chance, another general election in the "near future" was inevitable.

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## NEAR EAST-AFRICA

3. JORDAN: Cabinet resigns over proposed Israeli pact--  
US Legation Amman reports that Jordanian Prime Minister Tawfig Pasha's Cabinet has resigned after an all-day session in which its members vainly attempted to dissuade King Abdullah from pressing his plans for seeking an immediate Israeli-Jordanian settlement. The Legation adds that the King has reportedly asked Samir Pasharifai to form a new government.

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(CIA Comment: CIA believes that Tawfig's resignation does not materially affect the chances for acceptance of the proposed Israeli-Jordanian pact. King Abdullah, who represents the only real political power in Jordan, has already anticipated just such an eventuality by asserting that if Tawfig's Cabinet failed to accept his Palestine policy he would get a Cabinet that would.)

## FAR EAST

4. CHINA: Views concerning Chiang's return--US Charge Strong in Taipei expresses the opinion that the internal situation on Taiwan has not been altered materially by Chiang Kai-shek's resumption of the presidency of the National Government of China. Strong comments that military powers on the island will remain in the same hands and that Chiang will continue his "divide and rule" tactics. Strong concludes that Chiang's return is no reason either for optimism or increased pessimism.

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## EUROPE

1. FINLAND: Communists may be included in new Cabinet--  
US Minister Cabot in Helsinki has learned from various quarters that responsible businessmen, government officials, and politicians are considering the inclusion of Communists in unimportant positions in the new Cabinet. Cabot adds that the apparent Finnish intention would be to place the Communists in positions where they will be "well hedged in." The Minister expresses the opinion that there may be some validity to the argument that the inclusion of the Communists in the Cabinet will "draw their domestic political sting" by making it difficult for the Communists to avoid responsibility for damage to the Finnish economy resulting from their irresponsible agitation. In reviewing the "obviously formidable" objections to including Communists in the Finnish Cabinet, Cabot points out that the Communists would try, regardless of government precautions, to gain control of the government. The Minister also expresses concern regarding the unfavorable effect the reversal of Finland's attitude toward the Communists would have in other European countries, particularly those where Communists had once been Cabinet members.

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## NEAR EAST-AFRICA

1. JORDAN: Abdullah forced to recall "anti-treaty" Cabinet--  
US Minister Drew in Amman has been informed that King Abdullah has been forced to prevail upon Tawfiq Pasha to withdraw his resignation as Prime Minister (recently submitted in protest against Abdullah's proposed settlement with Israel). Drew comments that although an eventual resumption of the Israeli negotiations is not precluded, this development represents a major setback for the King and will probably make further attempts on his part to obtain a settlement much more difficult. Drew's informant expressed the view that the Cabinet's opposition to the King's proposed settlement resulted from unwillingness to offend the other Arab League states, whose press and radio had already begun violent attacks on Jordan. Drew's informant attributed Abdullah's current difficulties to the King's insistence on speed in the negotiations, and suggested that the Cabinet might have found an acceptable formula if given more time to study the matter.

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(CIA Comment: CIA believes that this setback to King Abdullah, who appeared powerful enough to ignore public opinion, demonstrates the continuing importance and strength of anti-Zionist feeling among Arabs.)

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## EUROPE

1. NORWAY: Norwegian attitude toward Atlantic Pact--US  
Charge Villard in Oslo expresses the opinion that although there are chronic isolationists in Norway, the Norwegian Government and general public have an "inner conviction" that Norway is correct in aligning with the Atlantic community and believe that the survival of Norway as a nation is intimately linked with the future of Western civilization. Villard says that the Norwegian will to fight, which he feels is strong, is based on the expectation of US aid and on confidence in the active implementation of the Atlantic Pact. He believes that the arrival of MDAP material will have profound psychological effects on the people. According to Villard, the Norwegians are under no illusions that they could withstand an invasion by the USSR and foresee national extinction as the result of such an attack.

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## GENERAL

1. New Palestine approach urged--The US member of the Palestine Conciliation Commission (PCC) reports that the Arab delegations, dissatisfied with the PCC's inactivity, may refuse further participation. The US representative therefore believes the time has come for a new approach to the task of the PCC. In view of the deteriorating situation at the PCC talks and in Palestine, where Israeli-Jordan negotiations have suffered a set-back, the US member proposes serious consideration be given to the possibility of suggesting that Jordan make a request for direct talks with Israel under PCC auspices, such talks to be coupled, if need be, with mediation.

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## GENERAL

1. US sees no settlement of Trieste at present--The Department of State has advised US Ambassador Allen in Belgrade that because of the negative attitude of the Yugoslav Government toward any concessions to Italy, the US is inclined to take no further action at present in a settlement of the Trieste issue. The Department believes that agreement may eventually be possible but foresees no action open to the US or Britain which would be effective at this time. c/s

## EUROPE

2. GERMANY: Western terms for all-German peace treaty-- US High Commissioner McCloy has been advised by his plans and policy committee in Frankfurt that the three Western Powers should clearly state the conditions under which they would be prepared to consider a peace settlement with the whole of Germany. The committee urges that the US, British, and French foreign ministers adopt at a future meeting a three-power approach to the problem of an all-German peace settlement. The committee expresses the view that any new unilateral proposals by the US would do more harm than good. c/s

## NEAR EAST-AFRICA

3. INDIA: India reportedly plans to accept UN mediator-- US Ambassador Henderson in New Delhi has learned from a usually reliable source that India has instructed its UN representatives to accept the Security Council resolution providing for a single mediator in the Kashmir dispute. Henderson's informant added that he was by no means certain that unqualified Indian acceptance would be "readily and quickly c/s

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evident" at Lake Success. Source indicated that the decision was preceded by a bitter debate in which telling use was made of the argument that some progress on Kashmir was imperative in view of the delicate relations with Pakistan resulting from the Bengal disturbances.

(CIA Comment: CIA believes that India, despite its continuing vocal objections to the principles embodied in the UN resolution, will finally accept it "under protest," as a means both of easing tensions with Pakistan and obtaining a new procedural basis for arguing the impracticability of a plebiscite. CIA further believes that Pakistan is likely to accept the resolution only if it becomes convinced that the objective of an impartial over-all plebiscite will not be abandoned as a result of negotiations carried out by the mediator.)

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## NEAR EAST-AFRICA

1. INDIA: Tibet to be given additional arms aid--US Embassy  
New Delhi has been reliably informed that India, with British encouragement, has granted a request from Tibet for small arms and ammunition in materially larger quantities than the limited amounts supplied in the past. The Embassy reports, however, that British representatives doubt Tibet has any real military plan for resisting an organized Communist incursion and regard India's move largely as a measure for raising Tibetan morale and combatting the immediate danger of infiltration. Pointing out that India has failed to respond to British offers of material help in this program, the Embassy comments that India would probably be cool toward similar US offers on the grounds that: (a) India is already providing all that Tibet can use; (b) collaboration with the US in an anti-Communist program would be politically undesirable; and (c) the US has been unable to meet India's own requests for military aid.

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## FAR EAST

2. INDOCHINA: Vietnam expecting US aid--US representative  
Griffin, in making a preliminary report from Saigon concerning his fact-finding mission to Southeast Asia, indicates that present Vietnamese expectations regarding US aid are great as a consequence of Ambassador Jessup's recent visit, the extension of US recognition, and the impending US naval visit. The French military commander in Indochina has pointed out that essential encouragement could best be given to Vietnam by prompt US token deliveries of equipment, preferably military. Griffin emphasizes, however, that although the early arrival of even token US aid may contribute to rallying Bao Dai, any aid extended in present circumstances must have both a political and a military impact.

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## GENERAL

1. Dutch concern over lack of western unity--According to US Ambassador Chapin at The Hague, Dutch Foreign Minister Stikker feels that the world situation is "gradually deteriorating" and that insufficient progress is being made to counteract this deterioration through "fostering a sense of unity in the West." Stikker believes, in particular, that little progress can be made so long as Western defense budgets are approved or disapproved on primarily a national basis instead of being adjusted to the role of the country in an over-all defense plan. Stikker urges that an early meeting be held by the North Atlantic Council in order to make a final decision concerning the allotment of defense roles in the collective western community.
2. Belgian Minister favors rearming of Western Germany--US Ambassador Murphy in Brussels reports that Belgian Prime Minister Eyskens has, in informal conversation, expressed unequivocally the personal view that Western Germany should be rearmed and that no further time should be wasted in the "urgent situation." Concerning "French emotionalism" in respect to Germany, Eyskens commented that to think of present-day Germany as a source of aggressive action against the Western Powers is absurd. Pointing out that the question is not a sentimental but realistic one, he asserted that Western Germany must be used as bulwark against the "only visible danger," the USSR. Eyskens believes that Western Europe must have a minimum of 80 equipped divisions and that the defense of the area is impossible without German participation. Murphy stresses that these views are personal to Eyskens, not the views of the Belgian Government, but indicates such views are the private opinion of "other leading Belgians."

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## GENERAL

1. Atomic cloud located in Caribbean area--The Commanding General of the US Caribbean Sea Frontier has reported to the Department of the Army that a weak radioactive cloud was located over Panama on 10 March.

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(CIA Comment: In the absence of sufficient information to draw any significant conclusions concerning this report, CIA estimates that this radioactivity is probably the result of abnormal cosmic ray activity in the atmosphere.)

2. US position concerning UN seating of Chinese Communists--The US delegation at the UN reports from New York that several countries have expressed confusion concerning the US position on the seating of Chinese Communists in the UN. The delegation says that despite several reaffirmations of the US position that each government should make its own decision in the light of its own circumstances, certain countries are puzzled by what they regard as an ambiguous position as contrasted with a previous US attitude favoring a vote against the seating of the Chinese Communists. The Egyptian delegate has expressed the view that the US cannot escape its responsibility for leadership and should not leave the smaller countries to make this decision. The US delegation urgently requests instructions concerning the problem.

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## GENERAL

1. Situation in Iran termed "especially dangerous"--US Embassy Moscow views the current situation in Iran as "especially dangerous" and believes the USSR will be quick to exploit the situation. The Embassy adds that the fall of Iran to the USSR would have an extremely depressing effect on the entire Middle East. As possible remedial action, the Embassy suggests that surplus US foodstuffs, clothing, and medicines be distributed in Iran and that a "high calibre" American be sent to Iran to prepare a list of urgent projects for submission either to the Export-Import Bank or to the US Congress. The Embassy comments that such a visit, properly publicized, would have a heartening effect in Iran and would notify the USSR that the US does not propose to let Iran fall into Soviet hands by default.

CIA-S

2. Views on German unity issue--US Embassy Moscow expresses the opinion that the Western Powers must seriously reckon with the possibility of a Soviet move to conclude a "phony" separate peace treaty with the German Democratic Republic (GDR) and must pursue an active role in promoting German unity. The Embassy points out that the recent foreign policy speech by GDR Foreign Minister Dertinger suggests that the USSR would conclude a separate peace treaty after further "legitimization" of the claim that the GDR and National Front speak in the name of all Germany.

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(CIA Comment: CIA believes the USSR is unlikely to conclude an early separate peace treaty with the GDR unless the Western Powers conclude a separate treaty with the Bonn Government in the near future.)

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## EUROPE

3. BELGIUM: Cabinet split over Leopold question--US 01A-S  
Embassy Brussels has been informed that the Belgian Cabinet is badly split over the question of the return of King Leopold, following the results of the "popular consultation" on 12 March 1950. The Embassy has also learned that Premier Eyskens, who has flown to Geneva to discuss the problem with the King, will threaten to resign if Leopold does not abdicate. The Embassy's source believes the chances of civil disturbances over the issue of Leopold's return are not great.

(CIA Comment: CIA anticipates that the present political uncertainty in Belgium resulting from the Leopold question will not be resolved for some time.)

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GENERAL

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1. Western warning to Czechoslovakia urged--US Ambassador Briggs in Prague reports that the British Ambassador there has urged upon the UK Government the desirability of taking some "prophylactic action" before the Czechoslovaks make further attacks on Western missions in Prague. The British Ambassador suggests a joint US, British, and French warning to the Czechoslovak Foreign Minister that further "spy trials" will have "unforeseen consequences" for relations between Czechoslovakia and the Western countries. The British Ambassador argues that even though this approach might not stop Czechoslovakia entirely, some effect might be produced and taking such action is preferable to waiting for impending attacks like "sitting ducks." Ambassador Briggs recommends that the US take some such action, either jointly or alone, basing his recommendation on the view that Czechoslovakia appears anxious to avoid a complete break with the US. Briggs also recommends that US vulnerability to such attacks be lessened through a reduction of the Embassy's service attaches.

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## EUROPE

1. GREECE: Formation of Plastiras government urged--US Ambassador Grady reports that while discussing the Greek political situation with King Paul, he warned the King against his expressed desire to form a government other than one based on the centrist bloc headed by Plastiras. Indicating his belief that such a centrist solution would reflect the will of the Greek people as revealed in the recent election, Grady told the King that any other solution would bring criticism upon the Palace for interference and Greece would be thrown into a period of political confusion as the result of an unstable government. In answer to King Paul's expressed fear that the US would become disgusted with Plastiras and withdraw aid, Grady assured him the US would be more disturbed by political confusion than by the designation of Plastiras as prime minister. Grady pointed out that by-passing Plastiras would force him to join forces with the leftists, thus creating a strong leftist group which might ultimately take political control of Greece. Grady concluded by pointing out to the King the dangers of further delay in forming a new government.

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## GENERAL

1. Bevin urges settling Chinese UN representation--According to the US delegation to the UN, the British UN delegation has been advised of Bevin's deep personal concern that the question of Chinese representation in the UN be settled soon. The British delegation has accordingly been instructed to discuss this matter with the representatives of Egypt, Ecuador, and Cuba.

CIA/S

2. US favors centrist Greek government--The Department of State has expressed its concurrence in the views expressed by US Ambassador Grady in his recent interview with King Paul of Greece concerning the establishment of a centrist government headed by Plastiras. The Department informed Grady that the elimination of Plastiras at this time, and the setting up of an alternative coalition, would be interpreted in the US as a contrived effort to frustrate the will of the Greek people as evidenced in the recent elections and would be likely to create more concern than would any possible subsequent disillusionment concerning the Plastiras government.

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## GENERAL

1. Western warning to Czechoslovakia not favored--The UK Foreign Office has expressed an initially unfavorable opinion of a recommendation made by the British Ambassador in Prague that the US, UK, and France issue a joint warning to the Czechoslovak Foreign Minister against further "spy trials" involving Western nationals. The Foreign Office explained this attitude by stating its view that (1) there is no indication that any such trial is in the offing; (2) Western demands would be unlikely to stop the trial if it were being planned, and (3) a Western demarche might even impel the Czechoslovaks to organize one.

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## NEAR EAST-AFRICA

2. IRAN: Negotiations with Soviets reportedly under way--US Ambassador Wiley transmits the belief of Iranian Propaganda Chief Shahrokh that high-level secret talks between the USSR and representatives of the Shah have been going on for at least three weeks. Wiley's informant states he reached this conclusion following a clandestine conference with Soviet First Secretary Komissarov, who reportedly made special mention of "satisfactory" conversations on economic matters. According to Wiley's informant, the Soviets have apparently made a vague offer of the economic aid "which America will not give" and may also have held out the promise of a favorable trade agreement and the return of Soviet-held Iranian gold.

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(CIA Comment: Wiley's source is an unreliable informant whose present report is as yet completely unconfirmed and may be merely a Soviet or Iranian

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propaganda move. CIA believes, however, that trade negotiations (in which Iran has shown some interest in the past) may in fact be taking place. Iranian leaders, who have already manifested considerable despair and indecision about their inability to maintain economic and political stability without substantial outside aid, may even now feel that Soviet offers of economic assistance are worth exploring. It is unlikely, however, that the Iranian Government would knowingly commit itself to any arrangement which would prejudice its relations with the West.)

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## GENERAL

1. Egypt reportedly asking UK to withdraw from Suez and Sudan-- S-75  
US Ambassador Caffery in Cairo has learned from British officials there that an Egyptian note, calling for an early British withdrawal from Suez and the Anglo-Egyptian Sudan, is en route to London for delivery to Foreign Secretary Bevin. According to the British, the note was moderately worded, largely because King Farouk insisted that the original draft be "toned down."

(CIA Comment: CIA believes that the Egyptian Government, which had been expected to reopen negotiations regarding its alliance with the UK, is probably asking for more than it expects to get, both for bargaining purposes and for home consumption. CIA further believes that: (a) the UK may agree to concessions in the Suez Canal area; (b) it is unlikely that the UK will agree to withdraw from the Sudan; and (c) Anglo-Egyptian discussions will probably be both prolonged and involved.)

## FAR EAST

2. INDOCHINA: Views on US aid for Indochina-- CIA-S  
US representative Griffin, in his summary report from Saigon on the possibilities of utilizing US funds for resisting Communism in Indochina, expresses the opinion that the wave of Communism in Indochina is predominantly nationalistic rather than economic, social, or ideological. Griffin believes that although the situation is not serious enough to warrant defeatism, it does justify effective application of US economic aid to strengthen the Bao Dai Government and to win non-Communist elements from among the followers of Ho Chi Minh. Griffin points out that the general French attitude caused his

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mission concern regarding the possibility of "exercising even minimum US supervision" over an assistance program and suggests that Vietnam, Laos, and Cambodia should be direct recipients of any economic aid from the US. Griffin adds that a formula for distributing US aid to Indochina "must be found for taking advantage of French experience without appearing to consolidate French hegemony," and comments that, to be effective, US aid must be bold, quick, and generous.

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## GENERAL

S-TS

1. British ask US support in defense negotiations with Egypt--  
US Ambassador Douglas in London strongly recommends that the US provide "diplomatic assistance" to the British during the impending negotiations between the UK and Egypt regarding mutual defense arrangements. According to Douglas, a British Foreign Office spokesman expressed the hope that the US could make it clear to the Egyptian Government that it would be useless for Egypt to attempt to "play off the US against the UK," and suggested that US Army Chief of Staff Collins (who is expected to be in Cairo about 4 April) might take the opportunity to talk to King Farouk frankly concerning the present world situation. The Foreign Office spokesman expressed the view that King Farouk has been educated to the "realities" of the world situation, but added that time will be needed before the Wafd Government, which has been out of power for some time, will modify its present "extreme and somewhat unrealistic views." Douglas comments that the British may have to push ahead with the "major task" which the defense negotiations represent, even though they do not appear particularly anxious to do so.

## EUROPE

2. GERMANY: All-Berlin election proposal suggested--US High Commissioner McCloy in Berlin believes that the West "has a great deal to gain and nothing to lose" by a proposal to the USSR for city-wide elections in Berlin. McCloy strongly recommends that, if the UK and France concur, the Western Commandants in Berlin confidentially propose that the City Assembly, not later than 20 April 1950, formally request the Allied Kommandatura to seek Soviet agreement to the holding of city-wide elections. According

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## NEAR EAST-AFRICA

1. INDIA: India reportedly reinforcing Punjab border forces--

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According to US Consulate Lahore, US Military Attache Meyers has been informed by Pakistan Army headquarters that a steady buildup of Indian Army troops and supplies along the East Punjab border opposite Lahore has been taking place since 5 March 1950. Meyers reports that the Pakistan Army Chief of Staff interprets these military moves as part of a plan to provoke Pakistan into taking the military initiative and feels that, failing in this, the "next step" for India would be to declare the present Kashmir cease-fire line final and dismiss the UN observers there.

(CIA Comment: CIA believes the reported troop movements probably have taken place and the fears of the Pakistan Army Chief of Staff may well be justified. CIA considers that although the Indian Government does not want war, it has clearly indicated a determination to retain all of the territory it occupies in Kashmir. India may, therefore, adopt provocative tactics, in the hope of either maneuvering Pakistan into becoming the aggressor or establishing so clearly Pakistan's reluctance to open hostilities as to indicate probable acceptance of steps aimed at consolidating India's present position in Kashmir.)

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## EUROPE

1. FRANCE: Speed in initial MDAP shipment urged--US Embassy Paris reports that French Defense Minister Pleven is greatly concerned over the arrival dates of MDAP shipments, because the French Army will be at half strength from 15 to 25 April 1950, when one class of conscripts will have been released and the new class will not have reported. Pleven expressed the hope that the initial MDAP shipment will arrive well before 15 April and that the next shipment will not arrive until after 25 April. The Embassy urgently recommends: (a) that every effort be made to speed the initial MDAP shipment; and (b) that Pleven be informed as soon as possible of the approximate arrival time of the shipment.

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(CIA Comment: CIA believes that the French Government's capabilities for coping with serious disorders between 15 and 25 April will be seriously weakened, because immediately after the present conscript class is released on 15 April, the troop units in France will consist almost entirely of conscripts having about four months' training.)

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## GENERAL

1. US to protest East German militarization--The Department of State has informed US Embassies London and Paris that the US intends to make a formal protest to the USSR regarding the formation in Eastern Germany of a militarized police force. The Department comments that the purpose of such a protest will be primarily for the propaganda effect, because the USSR is unlikely to disband the military police organization at US request. The Department expresses the belief that the protest would be more forceful if the UK and French Governments participate in some manner and requests the Embassies to discuss the subject with the British and the French.

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## EUROPE

2. BELGIUM: Elder statesmen favor Leopold's abdication--US Embassy Brussels has been informed by former Belgian Premier Spaak that there is "not the slightest doubt" that a majority of the Belgian Ministers of State (an advisory group of "elder statesmen" who have been called into special session) will favor a formula providing for the dignified and honorable abdication of King Leopold. Spaak described Carton de Wiart, who has been called on by the Regent to form a government, as a "moderate" on the subject of the King's return. Spaak expressed the opinion that his Socialist Party (which has heretofore adamantly opposed Leopold's return) "would display excellent manners" if Leopold would agree to return and then abdicate.

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## NEAR EAST-AFRICA

3. IRAN: Shah names Ali Mansur as Prime Minister--US Ambassador Wiley in Tehran reports that the Shah has accepted the resignation of Prime Minister Saed's Cabinet and has appointed Ali Mansur to form a new government in its place. According to Wiley, the immediate popular reaction to the Shah's action was one of bitter disappointment and increased frustration. Wiley adds that Prince Abdor Reza (the Shah's personal representative in the Seven-Year Plan Organization) now plans to withdraw from active participation in economic affairs and that Minister of National Economy Taqi Nasr has indicated that he will not continue in office with what he calls "the most corrupt and self-seeking elements in the country."

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(CIA Comment: CIA believes that the Shah's appointment of Mansur may well have been motivated by fears that his weak political position called for appeasement of the powerful landowners and other vested interests with whom Mansur has long been associated. CIA considers that, regardless of the Shah's motive, Mansur's appointment will probably reduce progress toward the economic and political stabilization which Iran needs, particularly because the Shah's appointment of a man with Mansur's reputation will alienate the progressive elements in the population and discourage the general popular hope that the Shah could put through a reform program. Moreover, the new government will be handicapped by the withdrawal of the two most prominent men in Iran's economic and social development program.)

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to McCloy, Mayor Reuter is enthusiastic about the idea, and believes there would be no difficulty in getting immediate Assembly approval of such a resolution addressed to the Allied Commandants. McCloy comments that a Soviet rejection of the election proposal, which he expects, would clearly demonstrate to the Germans and the rest of the world the cynicism behind the Berlin Youth Rally scheduled for 28 May, which is ostensibly for "peace, unity, national independence, and a better life." McCloy also points out that if the USSR accepts the election proposal, the West should insist on complete freedom of speech during the campaign throughout Berlin, and should readmit the USSR to the Kommandatura only after the elimination of the veto.

(CIA Comment: CIA believes that the USSR is unlikely to agree to the holding of city-wide elections in Berlin on terms acceptable to the West.)

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## EUROPE

1. GREECE: New Cabinet formed--According to US Charge Minor in Athens, the Venizelos Cabinet appointed on 23 March creates the impression of an imposed solution to frustrate the freely expressed will of the Greek people and exposes the Palace to charges of political favoritism and intrigue. Minor expresses the view that the Venizelos Cabinet will not receive the support of the other centrist leaders (Plastiras and Papandreou), will be tolerated by the rightist parties only so long as they see fit, and does not even have the full backing of Venizelos' own Liberal Party. Minor adds that the new Cabinet will seek a vote of confidence and then suspend Parliament for at least three months, but that the first meeting of Parliament may be postponed from 30 March until 17 April.

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(CIA Comment: CIA believes that the Venizelos Cabinet may, with considerable difficulty, be able to stay in power temporarily, but lacks the basis for effective parliamentary government. The centrist majority in the present parliament, upon which any viable government would have to depend, has been seriously split by Venizelos' action, and an impasse may develop necessitating a new national election soon. In such an election, the Greek people would show increased displeasure with the established major political parties, and as a result of the Palace's political intriguing might again become sharply divided into traditional monarchist and republican camps, to the great detriment of the nation's stability.)

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FAR EAST

2. AUSTRALIA: Anti-Communist action --US Ambassador Jarman in Canberra reports that the newly-elected Liberal-Country Government has invoked strong emergency powers for use against the current series of Communist-led strikes. In Jarman's opinion, this "bold and vigorous" action indicates the new government's determination to force a show-down with Communist union leaders. The Ambassador points out that the action appears to have strong popular support and predicts that the government "stands a good chance of victory."

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(CIA Comment: CIA believes this anti-Communist action is an attempt at testing public reaction in preparation for early action by the government to fulfill its campaign pledge to outlaw the Australian Communist Party.)

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## GENERAL

1. Australian attitude toward Pacific defense pact--US Embassy Canberra has been informed by Australian Minister of External Affairs Spender that his government desires to do everything possible to promote a Pacific pact which would include military commitments. In Spender's view, however, no Pacific nation or group of nations can be expected to embark on a course which without US backing might prove "futile and even disastrous." Spender believes that discussions at the forthcoming Baguio Conference (called by the Philippine Government) will be futile, because of the lack of support by Asian countries themselves and the absence of support from the US.

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## EUROPE

2. GERMANY: Reform of German interzonal trade set-up urged--The Berlin branch of the US High Commission in Germany believes that "the time has come for the Bonn Government to clean house" and remedy the unsatisfactory situation regarding German interzonal trade. The Berlin branch recommends that the Federal Republic's interzonal trade negotiator be replaced and that more adequate customs supervision be established on the Soviet Zone border; the branch also suggests that preparations for sanctions which could be applied to the German Democratic Republic whenever it departs from the interzonal trade agreement should be completed. The branch proposes to ban at once iron and steel shipments and 40 percent of other shipments to East Germany until the present trade unbalance ends.

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## NEAR EAST-AFRICA

3. IRAN: US views on recent developments--The Department of State, in connection with the Shah's recent appointment of Ali Mansur as prime minister and his reported statement that

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the "fight against corruption" must be postponed, has authorized US Ambassador Wiley to impress upon the Shah the need to bring forward "less questionable" political leadership without too much delay. The Department adds that unless key officials who symbolize policies of progress and reform are named in the near future, the effect will be to disappoint the US Government and people and to discourage Iranians sincerely working for the benefit of their people. Wiley is also authorized to ask the Shah about the truth of reports that secret Irano-Soviet negotiations are being carried on, supposedly because Iran failed to receive what it considered adequate US assistance.

#### FAR EAST

4. MALAYA: US aid for Malaya recommended--US representative Griffin, in continuing the analysis of prospects for US assistance to various Southeast Asian countries, concludes that Malaya's strategic, political, and economic importance justifies a small but urgent US aid program. Griffin believes that Malaya's long-run political orientation is at stake and suggests the extension of immediate US assistance to provide: (a) communication equipment for civil police; (b) earth-moving equipment for the clearing of jungle roads, resettlement areas, and airstrips; and (c) educational personnel to assist in reorienting the present pro-China and pro-Communist teaching in Malaya's Chinese elementary schools.

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## GENERAL

1. US Ambassadors survey world situation--The US Ambassadors to European nations meeting in Rome, in reviewing the world situation as it affects the US, have agreed that the Western Powers should intensify their efforts to checkmate Soviet aggressive action throughout the world. The US Ambassadors urge, in line with these intensified anti-Communist efforts by the West, that: (a) the US launch a vigorous propaganda campaign to recapture for the West the leadership in the world movement for peace; and (b) the North Atlantic Treaty (NAT) Council be convened early in May to consider the establishment within the NAT system of a "strong, high-level means of direction." The Ambassadors strongly suggest that serious thought be given to utilizing German material and supplies in building the defense of Western Europe and that the relationship of the US and UK throughout the world be clarified, including the UK's role in European affairs. The Ambassadors are convinced that the preservation of Southeast Asia from Communism should be a cardinal point of US policy, and believe it is of the utmost urgency to take steps to hold that area.

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## A N N E X

28 March 1950

## INCREASED TENSION BETWEEN INDIA AND PAKISTAN

Tension between India and Pakistan has increased seriously during the past few days. In India, where press, public, and government feeling regarding the safety of the Hindu minority in East Bengal continues to run high, Prime Minister Nehru has reportedly intimated that although he personally continues to oppose war with Pakistan he would be forced to send troops across the East Pakistan border if new anti-Hindu violence should break out there. The recent buildup of Indian Army troops and supplies near Pakistan's West Punjab border has led the Pakistan Government to urgently request the US, the UK, Canada, and Australia to counsel India to move its troops back from the frontier; and Pakistan Army leaders feel that they should have already countered India's military buildup by strengthening their own border forces.

Although the situation will undoubtedly remain explosive, there is some possibility that friction at the highest level between India and Pakistan might be lessened through a meeting of the two prime ministers; the US has strongly suggested to both governments that such a meeting is of "prime importance." Prime Minister Liaquat Ali Khan of Pakistan recently sent a long personal letter to Nehru inviting the latter to visit Karachi for a personal discussion of the situation, an action which parallels previous efforts on the part of Nehru. Although the two prime ministers are likely to have some difficulty in reaching agreement on the time and place, such a meeting may take place and could lead to a top level understanding on methods for reducing the present critical tensions between the peoples in the two countries.

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## GENERAL

1. Views of US Ambassadors on German problem--The US Ambassadors to European nations, meeting in Rome, have agreed that the US should continue its general policy in Western Germany, with perhaps increased emphasis upon action designed to counter increasingly vigorous "Soviet infiltration and propaganda." The Ambassadors recommend that: (a) the Western protest over the formation of an East German military force be expedited; (b) the western occupation powers repeat their offer of free elections in Germany; and (c) "vigorous and immediate efforts" be made with respect to Berlin, especially to relieve the "pressing" economic situation. The US Ambassadors consider Berlin's retention to be "vital" to the West. The US Ambassadors also recommend that the policy of non-recognition of the German Democratic Republic be rigidly maintained and that a Western tripartite or larger conference be held to discuss the German refugee and expellee problem. The Ambassadors agreed that their next meeting should be held in Berlin, probably in July 1950.
2. US views on Hong Kong aircraft--The Department of State has instructed US Ambassador Douglas in London to make strong representations to the UK Government at the highest level as soon as possible urging British executive action to deny to the Chinese Communists the former Chinese Nationalist aircraft and aircraft equipment now the subject of litigation in Hong Kong. (A Hong Kong court recently refused to grant an injunction freezing the former Chinese Nationalist aircraft and aircraft equipment pending the outcome of current litigation.) The Department points out that British acquiescence to withdrawal of further equipment or planes by the Chinese Communists would contribute directly to the military potential of the Soviet sphere and may seriously prejudice US-UK relations and current prospects for US military and economic aid to the UK.

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The Department instructs Douglas to stress to British Foreign Secretary Bevin that the overriding consideration of the US in withholding the aircraft and equipment from the Chinese Communists is one of security for the Western Powers.

## EUROPE

3. GREECE: Prime Minister may resign--US Ambassador Grady reports that in a recent conversation Greek Prime Minister Venizelos appeared extremely worried over the stability of his government and over possible difficulties within his own Liberal Party. Grady expresses the opinion that Venizelos may resign before Parliament convenes 31 March 1950 and may offer to support the candidacy of General Plastiras in the belief that these voluntary actions now would help save his own prestige and that of the Liberal Party.

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(CIA Comment: CIA agrees that Venizelos may be compelled by mounting popular and political pressure to resign before parliament convenes, although his resignation might be delayed because of continued maneuvering by the King. CIA further believes that the termination of the present government, by making possible the formation of a broadly based coalition government under Plastiras, would tend to increase Greek political stability.)

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## GENERAL

1. French statement on Indochina urged--The Department of State has asked US Embassy Paris to make "strong oral representations" to the French pointing to the urgent need for a public statement regarding the evolutionary nature of French agreements with the three new states in Indochina and emphasizing that the purpose of the agreements is to establish ultimately the complete sovereignty and independence of the three new states within the French Union. The Department points out that US attempts to gain recognition by non-Communist Asian regimes for these states, which is considered a matter of prime importance, have met with limited success because most Asian countries continue to view the new regimes as "French puppets." In the Department's opinion, much greater Asian support would become possible after such a French announcement. The Department believes that, without such a statement, French accomplishments and intentions in Indochina may be "tragically misunderstood," both in Asia and throughout the Western world.
2. German membership in European Council predicted--US High Commissioner McCloy in Bonn reports that all the evidence available there indicates that the Bundestag will approve German associate membership in the Council of Europe whether or not the recent conditions proposed by Chancellor Adenauer to the Allied High Commission are met. McCloy transmits the view of spokesmen of the opposition Socialist Party (SPD) that: (a) their party's position will not affect the outcome of the Bundestag vote; and (b) the SPD will send representatives to the Council of Europe if Germany becomes a member. McCloy expresses the opinion that the lack of press comment on Adenauer's proposal to the

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High Commission reflects an awareness among the newspaper editors of the widespread desire in the Federal Republic to "have Germany enjoy the distinction" of membership in the European Council.

(CIA Comment: CIA believes that Western Germany will probably join the Council of Europe unless the west Germans are offended by the handling of the procedural problems of admission.)

### EUROPE

3. GERMANY: Suggestions on all-German electoral law-- US High Commissioner McCloy in Frankfurt proposes that the High Commissioners of the three occupation powers be authorized to issue a communique giving "full support" to the recent public proposals of the Federal Republic in regard to all-German elections. McCloy suggests that the proposed communique include a statement of Western willingness to deal with the Soviet Control Commission for the sole purpose of framing a law to govern elections to an all-German constituent assembly. McCloy expresses the view that, although the principle of a constituent assembly (to draft an all-German constitution) was not put forward by the Western Powers at the last meeting of the Council of Foreign Ministers, such an assembly would "in no way endanger" the west German basic law. McCloy believes that it is of paramount importance to the USSR to legitimize the east German regime and expresses the view that the proper timing of the proposed Western offer of an all-German electoral law could interfere with the Kremlin's timetable in legitimizing the east German regime.

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4. CZECHOSLOVAKIA: US attitude toward future relations --  
The Department of State, in response to estimates that the Czech Government is considering making a major attack against principal Foreign Ministries, has authorized Ambassador Briggs in Prague to attempt as soon as possible a comprehensive and forthright survey of US-Czech relations with the new Czech Foreign Minister. Briggs is to indicate to the Czech Foreign Minister that the US would be obliged to act in its own protection if the Czechs ignore accepted diplomatic standards and disregard American rights. The Department informs Briggs that, if his representations have no effect in deterring the Czechs from taking some drastic step against the US, retaliatory measures against Czechoslovakia will probably become necessary. The Department also authorizes the Ambassador to discuss the possibility of a tripartite approach along these lines with the British and French Ambassadors and to inform them that the US will act unilaterally if a tripartite course is not possible.

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## GENERAL

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1. UK views on Hong Kong aircraft--US Embassy London has been informed by the UK Minister of State for Foreign Affairs that he is not sanguine about the chances for a favorable British response to the strong US protest against British acquiescence to the removal by Chinese Communists of aircraft parts (and ultimately the aircraft) now under litigation in Hong Kong. The Minister expressed the opinion that under present law the British Government could not interfere with further withdrawals of the aircraft equipment by the Communists; he added that his government could effect only a temporary delay before permitting the Chinese Communists to remove the aircraft.

(CIA Comment: The firm determination of the UK, despite US protests, to avoid antagonizing the Chinese Communists over the issue of the aircraft and aircraft equipment in Hong Kong reflects primarily British fears that the Chinese Communist regime will take retaliatory measures against the British in Hong Kong or the important British interests in China.)

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