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GENERAL

1. British favor change in Western stand on Austrian treaty--
 US Embassy London has been informed that UK Foreign Secretary Bevin is now prepared to accept the Soviet text for two of the disputed articles of the Austrian treaty "as a last resort" in reaching a general settlement. Bevin is "agreeable in principle" to the withdrawal of Western proposals regarding Austria's obligation to restore the property and rights of UN nationals and to the elimination of the treaty article obliging Austria to pay pre-Anschluss debts, provided that both these problems are handled in a separate agreement with Austria. Bevin suggests that his proposals be discussed by the three Western Foreign Ministers at their forthcoming meeting in London and that the Austrian Government not be informed meanwhile of this consideration of a change in the Western position.

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GENERAL

1. USSR to protest formation of Austrian gendarmerie unit--
 US Commanding General Keyes in Austria reports that a meeting of the Quadripartite Military Directorate for Austria has been "called and instigated" by the Soviet element for 4 April 1950 to discuss Soviet charges regarding "the illegal formation of an Austrian gendarmerie regiment in the Western Zones." According to Keyes, the Soviet representatives contend that the sub-divisions of a future Austrian army are evident in the gendarmerie regiment and that because of this, the Austrian Government is failing to fulfill basic Allied Control Council agreements. Keyes expresses the opinion that the Soviet representative to the Directorate will offer a resolution:
 - (a) instructing the Austrian Government to fulfill Allied decisions regarding demilitarization and the prohibition of military activity in the ranks of the police and gendarmerie; and
 - (b) establishing a four-power commission to investigate the facts relating to the activities and organization of the gendarmerie regiment.

ARMY-TS

2. Decision on all-Berlin election proposal urged--US Commanding General Taylor in Berlin reports that following a discussion by the Western military commandants in Berlin of the suggested Western proposal to the USSR for all-Berlin elections, the British and French commandants have referred the matter to their superiors. Taylor expresses the opinion that timing now appears urgent and suggests that plans for making the proposal to the USSR be carried forward without delay. Taylor points out that Berlin Assembly President Suhr has publicly gone on record in favor of an approach to the USSR and has hinted

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that "popular pressure" may be brought to bear on the commandants if they do not reach a decision soon. Taylor expresses the belief that 20 April 1950 would be the most suitable time for the proposal to be made because of May Day and the Berlin Communist Youth Rally scheduled for 28 May.

FAR EAST

3. BURMA: Immediate US aid recommended--US representative Griffin, continuing his survey of the need and prospects for US aid to Southeast Asia, recommends that, regardless of the present Burmese Government's leftist leanings, immediate US aid be extended to Burma in order to combat present chaotic conditions which invite the spread of Communism. Griffin suggests aid in the fields of agriculture, health, and education, as well as rehabilitation of destroyed villages and reconstruction of transport and communications, all of which he feels would directly contribute to increased Burmese stability. Griffin expresses the opinion that reliance on the UK to carry the major responsibility for economic and technical aid to Burma would be a mistake, both because of limited Commonwealth resources and because of "excessive mutual suspicion and antagonism" between the Burmese and the British.

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GENERAL

- 1. Views on proposals for German unification--The Berlin branch of the US High Commission expresses the view that the desirability for the Western Powers to make an "early determination" of their position on the issue of German unification is emphasized by the growing possibility that the USSR may seize the initiative on this issue in the near future. The Berlin branch believes the USSR may attempt to counter Western proposals on the German unity issue by offering all-German elections, a peace treaty, and the withdrawal of occupation troops on conditions which would be extremely difficult, if not impossible, for the West to meet at this time.

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Meanwhile, the Department of State, in discussing the possibility of Western action on the German unity issue, has expressed the opinion that there are dangers in proceeding too far along the road to German unity based only on free elections. The Department adds that German unity could follow only after full agreement between the West and the USSR on the conditions under which the prospective all-German government would function.

NEAR EAST-AFRICA

- 2. JORDAN: King reported ready to resume Israeli talks--US Minister Drew in Amman has been informed by King Abdullah that following the Jordan parliamentary elections of 11 April 1950, he intends to resume peace negotiations with Israel and simultaneously to inform the Arab League of his action and call on the Arab states to negotiate with Israel. Abdullah added that if the other Arab states oppose his action, he is fully prepared to face expulsion from the League. Drew

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observes, however, that among Palestinian Arabs there is strong opposition to Jordan's negotiating with Israel and that Abdullah's "serene optimism" regarding the support he expects to result from the coming Jordan elections should therefore be regarded with caution.

(CIA Comment: CIA concurs in Minister Drew's estimate and believes that Abdullah is either talking for effect or seriously underestimating the dislocations that would result in the Arab world if he should persist in his stated intentions.)

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1257

GENERAL

- 1. Developments on Hong Kong aircraft--US Ambassador Douglas in London has been informed by the British Minister of State for Foreign Affairs that there will shortly be full ministerial consideration of the question of the aircraft held in Hong Kong to decide what action the UK can take with respect to disposal of the aircraft. The Minister commented that the UK is "between the devil and the deep blue sea" in this matter, but assured Douglas that advance notice would be given the US before releasing the planes to the Chinese Communists.

CIA/s

EUROPE

- 2. BELGIUM: Leopold's position unchanged--US Ambassador Murphy in Brussels has learned that King Leopold has not changed his original position that he will let Parliament decide whether he will return to rule. Murphy expressed the opinion that the Regent may either: (a) call on the Catholics to form a one-party government to restore Leopold to the throne; or (b) dissolve the Parliament and return the issue to the electorate. Murphy comments that a one-party (Catholic) government could probably be formed for the purpose of returning Leopold to the throne, but only with "considerable private misgivings" among Catholic leaders.

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EUROPE

1. GERMANY: All-Berlin election proposal approved--The Department of State has authorized the Berlin branch of the US High Commission, acting jointly with British and French representatives, to support the Berlin City Assembly in proceeding with the proposed approach to the USSR for all-Berlin elections. (Under the plan approved by the Department: (a) the Berlin City Assembly on 13 April 1950 would address a resolution to the four commandants in Berlin requesting their endorsement of city-wide elections; and (b) the three Western commandants in Berlin would immediately accept the resolution, make a written statement the next day, and await the Kremlin's reaction. The Western proposal for city-wide elections is designed primarily to counter the scheduled Berlin Youth Rally and May Day celebrations being sponsored by Communist organizations in the Soviet sector of Berlin.)

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Prompt Western action on German unity suggested--US Ambassador Kirk in Moscow, in discussing the question of Western action regarding the German unity issue, concurs with the recommendation of the US High Commissioner in Germany that German unity should be vigorously and promptly supported by the West. Kirk suggests as a possible line of action that a statement by the High Commissioner concerning elections for an all-German Constituent Assembly be made "as early as possible," and be followed by a separate tripartite declaration supporting this proposal at the meeting of Foreign Ministers early in May 1950.

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Reported Soviet-East German peace treaty--US Legation Bern reports receipt of information from a heretofore fairly reliable "Satellite source" that the USSR has decided to administer a "knockout blow" to US policy

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in Germany by offering a peace treaty to the East German Government. According to the Legation's source, the treaty will be offered on 8 or 9 May 1950 and will include the return to Germany of certain former German territory now held by Poland.

(CIA Comment: CIA believes that the USSR is unlikely to conclude a separate peace treaty with the East German Government in the near future.)

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GENERAL

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1. Opposition to protest on East German militarization--US Embassy London has learned that General Robertson, UK High Commissioner for Germany, is opposed to a formal Western protest to the USSR regarding the militarization of police units in East Germany. (The Department of State informed the French and British on 24 March 1950 of its intent to object to this militarization and asked the British and French to consider joining the US in the protest.) Robertson believes that while such a protest would have a favorable propaganda effect in the US, the UK, and France, the release of figures on the number and equipment of the Soviet zone police would adversely affect the morale of Germans in West Germany and western Berlin. The Embassy also transmits the opinion of Sir Ivone Kirkpatrick, who is scheduled to succeed Robertson as UK High Commissioner for Germany, that the effectiveness of the proposed protest for propaganda purposes has been diminished by reports carried in German newspapers revealing the possibility of the protest and giving the Western estimate of the size and equipment of the Soviet zone police. The Embassy reports that Robertson's recommendation opposing the proposed protest has already been submitted to UK Foreign Secretary Bevin and expresses the opinion that the Secretary is not likely to override the High Commissioner in this matter.

(CIA Comment: CIA believes: (a) the revelation of the size and equipment of the East German police will have no adverse effect on the morale of Germans in West Germany and western Berlin; and (b) the prospects for beneficial propaganda effects of the protest have been reduced by the delay so far and by the leak to the German press.)

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GENERAL

1. Yugoslavia proposes Trieste solution--US Ambassador Dunn in Rome has been informed by an Italian Government official that, during a meeting in Belgrade between the Italian Minister there and two Yugoslav officials, the Yugoslavs stated that their Government sincerely wished to solve outstanding questions with Italy. The Yugoslav officials commented that the Trieste issue hung like a dark cloud over Italo-Yugoslav relations and then reported that their Government was now convinced that a solution to the Trieste issue was not possible along ethnic lines and had to be on the basis of Zone A going to Italy and Zone B going Yugoslavia. The Yugoslav representatives also stated that their Government was prepared to enter into such an agreement with Italy as soon as practical and that Yugoslavia was prepared to renounce all claims to Trieste as a part of this agreement. According to Dunn's informant, the Italian Minister merely responded that any such proposal as that outlined by the Yugoslav officials would be entirely unsatisfactory to the Italian Government.

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GENERAL

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1. French views on Indochinese problems--US Ambassador Bruce in Paris has been informed by the Secretary-General of the French Foreign Office, Parodi, that Foreign Minister Schuman favors transferring responsibility for the conduct of Indochinese affairs from the Ministry of Overseas France "at the earliest possible date" and that Schuman hopes to reach an agreement on the issue with his Cabinet colleagues soon. Parodi also informed Bruce that consideration will be given immediately to the advisability of an early French statement on the concessions to Indochinese nationalism embodied in the 8 March agreements, with the aim of conciliating public opinion in the US and in the interested Asian states. Parodi added, however, that the French would not be willing to make at this time an "evolutionary statement" giving a timetable for Indochinese independence, primarily because of the "inability" of the Vietnamese "to carry out satisfactorily the responsibilities with which they have already been charged."

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GENERAL

1. McCloy's views on German unity and all-Berlin elections -- US High Commissioner McCloy in Frankfurt believes that the projected Western call for all-Berlin elections does not minimize the necessity of following up the proposal recently made by the Federal Republic for all-German elections. McCloy feels that the two proposals are "quite separate" parts of the present Western propaganda and political campaign designed to regain the initiative in Germany, disrupt the Soviet zone election plans, and enlist the psychological support of the Germans. McCloy expresses the opinion that the Western Powers cannot afford to remain silent on the German unification problem until a statement can be issued by the US, UK, and French Foreign Ministers at their forthcoming meeting, and suggests that the High Commission should now propose to negotiate with the USSR a law governing elections to a constituent assembly for all of Germany. McCloy adds that a statement later by the Foreign Ministers on German unity may be more effective if made following a Soviet refusal to negotiate or impossible Soviet counter-proposals.

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FAR EAST

2. INDOCHINA: Estimate of Indochinese situation--US Charge d'Affaires Gullion in Saigon, in reviewing prospects for further liberalization of the French attitude toward Indochina, expresses the opinion that it is "highly unlikely" the French will make a definite statement of their "evolutionary" intentions regarding Indochinese independence, largely because of the local conditions in Indochina and the continuing Vietnamese governmental crisis. In support of this opinion, Gullion points to the growing trend among the Vietnamese, in their exhilaration

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over new freedoms, to revise in their minds the 8 March Accords and to sidestep the necessity for coordinated action with the other Indochinese states and the French. The Charge comments that, in view of this Vietnam attitude, the prospect of additional concessions from the French would merely further distract the Vietnamese from the problem of successfully assuming their present responsibilities. Gullion believes, however, that the French can still make substantial concessions to Vietnam, within the framework of the 8 March Accord, by: (a) permitting the Vietnamese a greater voice in the distribution of US aid; (b) expediting the transfer of powers; (c) accelerating the creation of military sectors under Vietnam control; and (d) giving the Vietnamese a share in the control of communications, civil aviation, customs, and exchange.

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GENERAL

1. UK against protest now on East German militarization--US Ambassador Douglas in London has been informed by the British Foreign Office that Foreign Secretary Bevin has decided against making a formal protest at this time to the USSR over the formation of a militarized police force in East Germany. According to Douglas, Bevin suggests that the US, UK, and French Foreign Ministers consider the matter at their forthcoming meeting. Douglas comments that he will press for reconsideration of the present British decision as soon as possible.

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2. US, UK, French demarche to Yugoslavia--US Ambassador Allen in Belgrade has been authorized by the Department of State to join with his French and British colleagues there in expressing concern to the Yugoslav Foreign Minister regarding the tension developing between Italy and Yugoslavia over the Trieste question. As part of the joint statement, the Department suggests that the three Western representatives point out the advantages to both Italy and Yugoslavia in stabilizing their relations generally and the importance of avoiding further provocative speeches and actions in regard to Trieste. The Department suggests, if the Yugoslavs' reaction to the demarche "leaves no doubt" of their intention to annex the Yugoslav zone of the Trieste Territory in the near future, that their attention be drawn to the serious consequences such an action would have on relations between Yugoslavia and the West. The Department has also instructed US Ambassador Dunn in Rome to inform the Italian Government, in conjunction with his French and British colleagues there, of the nature and extent of the demarche to the Yugoslav Government.

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EUROPE

1. GERMANY: West to propose all-German elections--The Department of State has authorized US High Commissioner McCloy in Frankfurt to proceed with his plan for having the High Commission follow up the recent Federal Republic proposals on German unity by offering to negotiate with the USSR a law governing elections to an all-German constituent assembly. The Department believes that the High Commission's offer should include a brief statement to the effect that, if agreement is reached on the law, consideration should then be given to the form of quadripartite control for a unified Germany. The Department points out that the statement regarding quadripartite control must make clear from the beginning that the West "would insist" on a liberalized system of control which would permit the proposed all-German Government to function effectively.

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Attitude toward Federal Republic's role in Europe-- US High Commissioner McCloy has been informed by a high official of the Federal Republic that Chancellor Adenauer and the Chairman of the Social Democratic Party, Schumacher, agree that the entrance of the Federal Republic into the Council of Europe would mean a "definitive separation" of East and West Germany. According to source, Chancellor Adenauer and Schumacher also believe that the Federal Republic should be granted "increased participation" in European affairs commensurate with the increased risk and responsibility assumed by the Federal Republic in entering the Council of Europe. Source expressed the opinion that Adenauer should be invited to report on the German situation at the forthcoming London Conference of Western Foreign Ministers and suggested Adenauer's advice be followed "at least to a limited extent" on the Berlin issue and on other East-West problems involving Germany.

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NEAR EAST-AFRICA

2. INDIA: Increasing general unfriendliness toward US reported-- US Ambassador Henderson in New Delhi expresses the opinion that a feeling of unfriendliness toward the US has been increasing in India during the last eight months. Henderson attributes this increased unfriendliness to several factors, including widespread beliefs among Indians that: (a) the US is not giving India any substantial economic assistance during this difficult period in Indian history; (b) the US favors Pakistan in the Kashmir dispute; (c) the US is attempting, by exercising its economic power in various ways, to force India to abandon national economic planning. Henderson suggests that this resentment, although largely generated spontaneously over a long period, has been fanned both by an undercover campaign encouraged by a group of "politicians and sycophants" around Prime Minister Nehru and by systematic open attacks on the US made by Socialists and Communists. Henderson believes that although the present trend in Indian feeling might be slowed by such factors as the conviction of certain Cabinet members and other leaders that India must adopt a more cooperative attitude in dealing with Western democracies, Indian resentment toward the US will grow as India's economic and political difficulties increase.

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Prime Minister Nehru still plans Karachi trip--US Ambassador Henderson has been authoritatively informed that Prime Minister Nehru intends to visit the Pakistani Prime Minister in Karachi about 22 April 1950, regardless of increased pressure on him from various "influential quarters" to make no definite plans at this time. According to source, some advisers are urging Nehru not to make the visit unless the flow of Hindu refugees from East Pakistan diminishes. Henderson's informant added that an Indian delegation may soon visit Pakistan to discuss trade matters.

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FAR EAST

1. THAILAND: Immediate US aid for Thailand urged--US representative Griffin, continuing his survey of the need and prospects for US aid to Southeast Asia, recommends an \$11 million assistance program for Thailand to make improvements in the fields of agriculture, health, education, transport, telecommunications, and industry. Griffin feels that the extension of such assistance to Thailand, which he considers to have a high degree of administrative and political stability, will strengthen the country's will and ability to resist both internal and external Communist pressures by improving economic conditions and convincing the Thai people that they have not been abandoned by the West. Griffin believes that although Thailand is not presently faced with emergencies as serious as those existing in Indochina and Burma, immediate implementation of an aid program is imperative to obtain the maximum political impact by indicating the "reality" of past US statements of interest in Thailand's welfare.

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THE AMERICAS

2. BOLIVIA: Anti-Communist Conference suggested--US Ambassador Florman in La Paz reports that the President and Foreign Minister of Bolivia are deeply concerned over Communist activities in Bolivia and South America and plan to seek US counsel on the advisability of a conference of ten South American countries to consider mutual defense against Communism. The Foreign Minister expressed the thought that the US might prefer to send qualified observers rather than official representatives to such a conference.

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GENERAL

- 1. Reduction of US and UK Embassies in Moscow opposed--
 US Embassy Moscow reports that since the revaluation of the ruble it has carefully considered the desirability of reducing its operations. The Embassy states that in the light of all factors involved and particularly the crucial nature of US-Soviet relations, it is convinced that curtailment of the Embassy Moscow's operations would be detrimental to US national interests out of all proportion to the additional cost which continuance would entail.

The Embassy believes that the same reasoning should militate against the decision apparently made by the British to halve the size of their Moscow Embassy, especially since such a reduction would have a deplorable effect on joint US-UK operations.

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A N N E X

15 April 1950

GREEK GOVERNMENTAL PROSPECTS

The prospect for the establishment of a more stable and effective Greek government has improved somewhat with the resignation of the Venizelos Cabinet. Venizelos, who has been under considerable pressure from the US and from within his own party, now appears willing to cooperate in the broad centrist coalition under General Plastiras which he had originally agreed to support after the recent national elections. Plastiras will probably be able to form a government capable of surviving at least its initial parliamentary tests.

Such a cabinet's majority will probably be small, however, and its continued stability is problematical. Venizelos' attempt to assume the role of premier has undoubtedly resulted in strained relations with his prospective colleagues and has thus laid the basis for future dissension which might wreck the new government. At the same time, the Palace and right wing politicians are strongly opposed to Plastiras as premier and will take every opportunity to undermine him. Should the Plastiras solution fail, other temporary governmental combinations might be tried, but the resulting instability would probably soon make new national elections an absolute necessity.

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GENERAL

1. Yugoslav reaction to US-UK-French demarche--US
 Ambassador Allen in Belgrade, in assessing the reaction of Yugoslav Deputy Foreign Minister Popovic to Allen's presentation of the US part of the US-UK-French demarche to Yugoslavia on the Trieste problem, expresses the opinion that Popovic appeared to appreciate the good intentions and initiative of the three governments. In response to Allen's reference to Yugoslav actions which might arouse fears that Yugoslavia intended to annex Zone B in the Trieste territory, Popovic declared that the Yugoslav authorities in Zone B "had never and would never take any step except in answer to similar [Italian] measures in Zone A." Popovic emphasized the "genuine desire" of the Yugoslav Government to improve relations with Italy by settlement of the Trieste "and other questions." The British Charge informed Allen that the reaction to his representations was similar to Popovic's response to Allen.

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Meanwhile, US Ambassador Dunn in Rome reports that Italian Foreign Minister Sforza, after being informed of the nature of the US-UK-French demarche to Yugoslavia, "indicated some regret that our approach in Belgrade had not been a little stronger." Sforza assured Dunn, however, that the Italian Government was determined to "leave every door open" to the possibility of discussing the Trieste question with Yugoslavia. Sforza added that if Yugoslavia "trampled on the recognized rights of Italy in connection with Trieste," the Italian Government would use every means at its disposal to draw the attention of the world to the Yugoslav actions.



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CIA-5

2. UK views on Hong Kong airplanes--US Ambassador Douglas in London reports that, during a discussion of a memorandum from the British Foreign Office regarding the former Chinese Nationalist aircraft at Hong Kong, a high British Foreign Office official reiterated that the matter was in the hands of the courts and reminded the US representative of the limited executive power available to the Hong Kong authorities for preventing the departure of the planes. The British official expressed the opinion that the aircraft would not leave Hong Kong before the British had time to reach a decision at the ministerial level. Douglas expresses the belief that unless there is some unforeseen solution, the controversy over the Hong Kong aircraft will be concluded in the near future in a manner "highly unsatisfactory from the US point of view." (Although the British official made no mention of reported discussions in Hong Kong which might lead to an out-of-court settlement, he expressed the desire of the British Government to find "any legitimate escape from its dilemma.") Meanwhile, the UK has requested the US to comment on the memorandum on the Hong Kong aircraft, particularly with respect to the effect which British acquiescence to Communist possession of the aircraft would have on Western European nations now cooperating with the US and the UK in denying aircraft and parts to the Soviet Satellites.

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EUROPE

1. CZECHOSLOVAKIA: Attitude toward US--US Ambassador Briggs in Prague expresses the opinion that the recent "irresponsible behavior" of the Czechoslovak Government indicates that it is determined to reduce diplomatic and other relations with the West to the level prevailing in Moscow. The Ambassador reports that his representations to Czech Foreign Minister Siroky regarding present US-Czechoslovak relations resulted in little more than "frankly expressed disagreements" and that Siroky gave no indication he was influenced in any way by the interview. Briggs comments that the Czechoslovak Government may utilize the coming "espionage" trials in Prague for mounting a major propaganda onslaught against the US.

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EUROPE

1. GERMANY: British attitude on proposed all-German elections-- US Embassy London has been informed by Sir Ivone Kirkpatrick, who is scheduled to become the UK High Commissioner for Germany, that he is in general agreement with the US proposal that the Western Powers offer to negotiate with the USSR for an all-German electoral law. Kirkpatrick believes, however, that such a Western offer would be "most effective" if made during the forthcoming meeting of the US, UK, and French Foreign Ministers (US High Commissioner McCloy in Germany and the Department of State favor making the offer prior to the meeting of the three Foreign Ministers). The Embassy points out that Kirkpatrick has not yet discussed this problem with British Foreign Secretary Bevin, who will make the final decision.

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Berlin Assembly to propose all-city elections--US Commanding General Taylor in Berlin reports that West Berlin political leaders have agreed to have the Berlin Assembly adopt on 20 April a resolution addressed to the four commandants in Berlin calling for all-Berlin elections. Taylor adds that, at the insistence of the Berlin political leaders, the Western political advisers have agreed to notify the Soviet Commandant, as well as the Berlin Assembly, of Western approval of the Assembly's call for city-wide elections.

2. DENMARK: Views on West European problems--US Ambassador Anderson in Copenhagen reports that, during her first official interview with Danish Prime Minister Hedtoft, the Prime Minister expressed concern over the problem of strengthening the West European community and over the prospect for continued US interest in the affairs of Western Europe after 1952. The Ambassador adds that Hedtoft's anxiety over the future of Western Europe stems largely from

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GENERAL

- 1. Developments on Hong Kong aircraft--US Embassy London has been informed by UK Minister of State Younger that arrangements are virtually complete for determining on 26 April 1950 if the British can take executive action to prevent the release to the Chinese Communists of the former Chinese Nationalist airplanes now under litigation in Hong Kong. When pressed for assurances that the planes would be kept at Hong Kong pending the ruling of the Hong Kong court on an appeal for an injunction to prevent Communist removal of the aircraft, Younger responded that "it seemed reasonable" to assume that the planes could be detained for a few days and "expressed the hope that this could be accomplished." (The Hong Kong court has scheduled the hearing on the appeal for 27 April 1950.)

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GENERAL

S-5

- 1. US to defer protest on East German militarization--The Department of State has advised US Embassy London of its decision to defer the projected protest to the USSR over the militarization of the East German police, in view of the opposition of British Foreign Secretary Bevin and the reluctance of French Foreign Minister Schuman to make the protest at this time. The Department believes that the question should be examined at the forthcoming meeting of the Western Foreign Ministers, and expresses the opinion that a tripartite statement after this meeting would be more effective than a unilateral US protest now. (Both Bevin and Schuman have expressed the feeling that the proposed protest should be discussed at the meeting of the three Foreign Ministers.)

EUROPE

- 2. USSR: Protest on Western position in Trieste--US Ambassador Kirk in Moscow has been handed a note on Trieste by Soviet Deputy Foreign Minister Gromyko which denounces "alleged" US-UK violations of the Italian peace treaty and calls for the establishment of a Free Territory according to the terms of the Italian peace treaty. The USSR contends that the violations transform Trieste "into a US-UK military and naval base" and "constitute a threat to the peace and security of Europe." The USSR also insists on the immediate and precise fulfillment of the Italian peace treaty provisions, including: (a) the naming of a governor and the establishment of a temporary governing council; and (b) the withdrawal of the US and UK troops.

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(CIA Comment: CIA believes that the USSR has become more aggressive at this time regarding the Trieste issue in the hope of taking advantage of the renewed tension and disagreement arising from conflicting Italian and Yugoslav claims to Trieste territory. In addition to planning to exploit the protest for propaganda purposes, the Kremlin probably estimates that its insistence on an immediate solution in conformity with the terms of the Italian peace treaty will: (a) prejudice prospects for any negotiated settlement between Italy and Yugoslavia by intensifying already inflamed feelings; and (b) seriously complicate the position of the US, the UK, and France in regard to Trieste. The Kremlin may also wish to publicize its basic legal position for possible use in attacking any settlement that may be negotiated in the future.)

Soviet reply to US protest on missing plane--US Ambassador Kirk in Moscow reports that, in a note delivered by Soviet Foreign Minister Vishinsky in response to the US protest over the missing US Navy airplane, the USSR categorically rejects the US position and specifically denies that the Navy plane was unarmed. The USSR also refuses to consider the US demands for indemnities and for punishment of the Soviet aviators involved in the incident. In regard to the US request that the Soviet Air Force be instructed to avoid similar incidents in the future, the USSR asserts that current orders to the Soviet Air Force "will remain in force." Kirk comments that, during the conversation which followed Vishinsky's presentation of the note, the Soviet Foreign Minister appeared calm and unruffled and neither vindictive nor aggressive.

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GENERAL

- 1. Possible improvement in Greek-Yugoslav relations--US Ambassador Grady in Athens has been advised by Greek Premier Plastiras that the Yugoslav Charge has officially notified Plastiras that the Yugoslav Government is prepared to exchange Ambassadors with Greece at once. Plastiras has not yet replied to the Yugoslav offer.

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(CIA Comment: CIA believes that both Yugoslavia and Greece will take steps toward improving their relations in order to strengthen their capabilities to resist Cominform pressures, but that development of cordial relations will be handicapped by such issues as: (a) the Greek children kidnapped during the Greek civil war and still detained in Yugoslavia; (b) Yugoslav territorial claims on Greek Macedonia; and (c) Greek distrust of Yugoslav Communism.)

NEAR EAST-AFRICA

- 2. IRAN: Views on US aid--According to US Embassy Tehran, Iranian Chief of Staff Razmara is convinced that government disorganization and corruption are the main factors delaying emergency measures to check the unemployment crisis and the government is unaware of the urgency of the present situation. Razmara also expressed the belief that any US economic aid to Iran should be accompanied by the "tightest" controls. The Embassy points out that Razmara's recommendation coincides with the Embassy's belief that the most important results obtainable from US aid would be the opportunity afforded the US to exert influence toward achieving internal reforms.

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FAR EAST

3. CHINA: Projected Nationalist air attack--US Air Attache Taipei reports that the Nationalist Air Force has concentrated more than 100 fighters, fighter-bombers, and bombers on two airfields in the Choushan Islands for a projected raid on the Shanghai and Nanking airfields. The attack would be the heaviest undertaken by the Nationalists to date and the Attache comments that: (a) the Communists are probably aware of the details of the forthcoming raid; and (b) the Nationalist concentrations offer the Communists an ideal chance to destroy a great portion of the Nationalist air combat potential.

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(CIA Comment: CIA believes that the Nationalists run a grave risk of heavy losses from: (a) a surprise Communist raid on the planes concentrated in the Choushan Islands; or (b) the probability that the Communists will put their air force in operation for the first time in order to counter the projected Nationalist raid on Shanghai and Nanking. In either event, Nationalist capabilities for defending the Choushans and Taiwan would be seriously weakened.)

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GENERAL

1. Views on Soviet note regarding Trieste--US Ambassador Allen in Belgrade suggests that, in view of the recent Soviet note demanding immediate implementation of the Italian peace treaty terms applying to Trieste, the merits of the solution envisaged by the peace treaty signatories should be re-examined. Allen observes that the Italian peace treaty (which would establish a unified Free Territory of Trieste under UN governorship) constitutes the only solution which is binding today on all parties concerned and which all parties are equally committed to support. The Ambassador believes, however, that direct negotiations between Yugoslavia and Italy should be continued "as long as there is any likelihood they may succeed," and adds that the major difficulty in his suggested return to the treaty solution would be to prevent both the Italians and Yugoslavs from gaining the impression they were being "sold out."

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Meanwhile, US Political Advisor Unger in Trieste, in assessing Soviet motives for their recent note, expresses the opinion that the ultimate aim of the USSR is "apparently to see" the Free Territory of Trieste established under the treaty formula. Unger comments that the establishment of a unified Free Territory under UN governorship would: (a) keep alive discord between Yugoslavia and Italy; (b) prevent the Western Powers from fulfilling their 20 March proposal for returning all of the Free Territory of Trieste to Italy; (c) secure the withdrawal of Allied troops; and (d) open the possibility of Cominform control of a strategic area beyond the present limits of the Soviet orbit.

US Ambassador Douglas in London reports that the British Foreign Office considers the Soviet note to be a move to "throw a wrench into the works" at a time when the Western Powers are seeking an Italian-Yugoslav settlement of the Trieste issue. According to Douglas, the USSR may also hope "to force the Western Powers" to re-state their 20 March proposal and thus embitter the Yugoslavs.

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GENERAL

1. US views on Western Germany--The Department of State observes to US High Commissioner McCloy in Frankfurt that the apparently growing tendency of West German Government and opposition leaders to proceed more cautiously in bringing the Federal Republic into the Western community of nations may indicate a reluctance to take sides in the East-West struggle. The Department considers that although there may be some legitimate basis for this new German caution, it is important to disabuse the Germans of "any notion that the use of the East-West situation to wring concessions from the West can be productive or helpful." The Department comments that such tactics by the Germans could only "undermine whatever confidence may have already developed in other Western countries regarding the German people and Government" and would "create a climate which would hardly be conducive to the granting of broader powers to the Federal Republic in the near future."

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FAR EAST

2. INDONESIA: Griffin recommends US aid--US representative Griffin concludes his survey of the need and prospects for US aid to Southeast Asia with a recommendation for an assistance program for Indonesia totaling more than \$14 million. The recommended program emphasizes the need for general aid in the fields of agriculture, health, and education, with particular assistance requested for the purchase of cotton textiles for clothing. Griffin feels that vigorous and prompt action in all phases of the program is required to prevent further deterioration of the Indonesian economy. Griffin believes that Indonesia is a "promising example of an effort to introduce Western-type democracy" to Southeast Asia and comments that Indonesian officials "have energy, good will, high intentions, and integrity" but lack experience in posts of great responsibility.

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GENERAL

- 1. UK to recognize Jordan annexation of Arab Palestine--
A British Foreign Office official, in discussing with US Ambassador Douglas in London British plans for recognizing Jordan's annexation of Arab Palestine, expressed the Foreign Office views that: (a) the time had come to back King Abdullah against the Arab League; and (b) recognition of the annexation would provide a good opportunity for the UK to extend de jure recognition to Israel. The official expressed the hope that the US would also recognize the annexation but declared that the UK would probably go ahead with its plans anyhow.

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EUROPE

- 2. YUGOSLAVIA: Attitude on Trieste--US Ambassador Allen in Belgrade has been informed by Yugoslav Deputy Foreign Minister Popovic that although Yugoslavia still desires to settle the Trieste question by direct negotiation with Italy, his government believes that "no Italian government could make a satisfactory compromise settlement at the present time." Popovic added that the Yugoslav Government was convinced that it would be best for all concerned to let the Trieste question "remain quiet for a while."

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(CIA Comment: CIA concurs with the above views.)

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EUROPE

1. USSR: Estimate of Soviet intent--US Embassy Moscow, in summarizing a basic estimate of Soviet intentions prepared by its Joint Intelligence Committee, expresses the view that the Kremlin is waging a "ruthless and unrelenting" war against the free world, in which "cold war" and "shooting war" are merely tactical phrases. The Embassy considers that the USSR has already passed through the first phase of its postwar plan, which required the extension of Soviet control through revolutionary conquests and the simultaneous rehabilitation of Soviet heavy industry and the military machine. In the Embassy's opinion, the Soviet offensive is now in its second openly revolutionary phase, in which the Kremlin is relying upon a wave of rebellion against "imperialism" in the dependent areas and upon Western economic depression to bring certain new regions under Soviet control. The Embassy comments that, to accomplish these objectives, the USSR is steering a course as close as possible to but short of a full-scale war. The Embassy adds that the danger of war through Soviet miscalculation will grow and that incidents and "limited hostilities" may occur, but estimates that Moscow will probably endeavor to avoid a showdown until the USSR attains overwhelming superiority of force.

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

2. CZECHOSLOVAKIA: Anti-US plan reported--The US Consulate in Munich has learned from "a paid informant" of unknown reliability that the USSR has ordered the Czechoslovak Government to institute strict security surveillance of the US Embassy and its employees in Prague and to prepare a protest note to justify a demand for closing the Embassy. According to source, the USSR is concerned over laxness on the part of the Czechoslovak

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EUROPE

security police and complained about the resultant freedom for Americans to carry on espionage operations. The informant added that a trial of an American citizen or a member of the Embassy staff is to be prepared, wherein trial, sentence, and deportation would follow the lines of the recent Gubitchev incident in the US.

(CIA Comment: CIA believes that although the USSR intends to reduce US representation and activity in Czechoslovakia to a minimum, a complete severance of Czechoslovak relations with the US in the immediate future is not likely.)

THE AMERICAS

3. BOLIVIA: Anti-Communist conference proposed--US Ambassador Florman in La Paz reports that the Bolivian Government has proposed to other South American republics that a meeting of foreign ministers be held at La Paz during May for the purpose of establishing a uniform policy designed to "put a stop" to Communist activities in South America. (The Bolivian Government recently expressed deep concern regarding what it considered to be an international Communist organization in South America and suggested to the Department of State that the US might send observers to a conference of South American republics to consider the problem. The Department expressed the view that bilateral conversations between Bolivia and its neighbors would be more effective than a general conference.)

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EUROPE

1. YUGOSLAVIA: Developments in foreign policy--US Ambassador Allen in Belgrade expresses the opinion that Marshal Tito's statement of foreign policy in his "state of the union" message before the Yugoslav Parliament on 27 April was "in many respects an overture to the West." Allen adds that the most direct reference was in regard to relations with Italy, when Tito stated that the "government of Yugoslavia desires that relations between Yugoslavia and Italy should be the best possible," and declared that presently unsolved problems should not be permitted to endanger good relations. Allen feels that although no specific mention of Trieste was made, it was obvious that Tito had "clearly opened the door" to the Italian Government for negotiation on the Trieste issue.

CIA/S

(CIA Comment: CIA believes that Tito's speech represents an important contribution to the improvement of Yugoslavia's relations with the West and to the strengthening of Yugoslavia's position in relation to the USSR.)

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EUROPE

1. USSR: Soviet reaction to Acheson policy statement-- US Ambassador Kirk in Moscow estimates that Secretary Acheson's recent enunciation of "total diplomacy" has made an important impression on the Kremlin. In addition to the vehement propaganda reaction against the concept of "total diplomacy", Kirk notes a feeling among qualified foreign observers that there are signs of apprehension among Soviet authorities. The Ambassador expresses the opinion that the establishment by the US of a specific practical outline for world policy and action--a procedure which the Communists themselves have long followed--materially threatens the achievement of Soviet objectives.

CIA/S

THE AMERICAS

2. CHILE: Serious disturbances expected- [redacted] on May Day in Santiago. [redacted] arms have been distributed to Communists, and that plans have been made for serious violence. While the disturbances will further aggravate Chilean economic problems, it is not considered likely that the overthrow of the government will result.

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EUROPE

1. GERMANY: Adenauer backs European Council entry-- s/s
 According to US High Commissioner McCloy in Bonn, Chancellor Adenauer has privately declared he now feels prepared to proceed with the entry of the Federal Republic into the Council of Europe. Adenauer indicated that the recent resolution of the income tax problem and the High Commission's clarification of the manner in which the German delegation to the Council might communicate with the Council's secretariat have enabled him to come to this decision. The Chancellor proposes to put the matter before his Cabinet prior to the London meeting of the western Foreign Ministers, postponing Bundestag debate until after that meeting. Adenauer believes that he will receive the unanimous support of the Cabinet and a small majority in the Bundestag even if, as McCloy warned, the London meeting does not produce "a set of new concessions to Germany."

2. CZECHOSLOVAKIA: US urged not to break relations--US CIA/s
 Embassy Prague estimates that the recent Czechoslovak note demanding a two-thirds reduction in the Embassy's staff because of alleged espionage was intended either to goad the US into breaking relations with Czechoslovakia or, if the US does not do that, to score a significant propaganda victory and henceforth to restrict the Embassy's operations severely. The Embassy considers that even though Czechoslovak conduct amply justifies a break in diplomatic relations, it is not to the advantage of the US to do so at this time; the Embassy argues that the presence of the US mission in Czechoslovakia encourages the anti-Communist population and that the Embassy will still be

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able, despite restrictions, to provide useful information and guidance to the US. Embassy Prague, believing that the Kremlin probably ordered the Czechoslovak Government to make things as difficult as possible for the US but not to take the initiative in severing relations, suggests that this by itself is sufficient reason for the US to remain in Prague.

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A N N A E X

AUSTRALIAN CLAIMS TO DUTCH NEW GUINEA

A recent action of the Australian Government, aimed at gaining control over Dutch New Guinea, may gravely threaten Australia's relations with both the Indonesian and Netherlands Governments and will have severe repercussions throughout South and Southeast Asia.

The Australian Government informed the Indonesian Government on 29 April that Australia was directly concerned in present Dutch-Indonesian negotiations regarding the future status of Dutch New Guinea and that Australia should be considered "as sole or, at least, part administrator" of the Netherlands territory. (This stand is known to have the strong and considered support of the entire Australian Cabinet.) External Affairs Minister Spender informed the Netherlands Minister in Canberra on 19 April that Australia's minimum objective is to keep the Indonesians out of New Guinea and that Australia would do so by force, if necessary. He added that no Australian Government which countenanced entry of the Indonesians into New Guinea could survive more than a week and that Australia would withdraw from the UN rather than admit such an eventuality.

Australia has long regarded the position of Dutch New Guinea as a major factor in Australian military security. Japanese penetration of New Guinea during World War II heightened this concern considerably and the Australians fear that any Netherlands-Indonesian settlement of the future of Dutch New Guinea will seriously jeopardize Australian national security interests. Although it is unlikely that Australia will support its view by the use of armed force, its attempts to intervene in Dutch-Indonesian negotiations will cause considerable ill-will among the Netherlands officials and bitterness among the Indonesians who have hitherto regarded the Australians as champions

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of Indonesian independence. News of the Australian action has not yet been released to the press, but it is unlikely that secrecy can be maintained. When the Australian policy becomes known publicly, Australia's hope of becoming a leader of non-Communist elements throughout South and Southeast Asia will be blasted. Communist propaganda directed against Australia and the Western powers will be greatly strengthened and the entire issue will weaken Western influence in Asia.

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EUROPE

- 1. ITALY: Developments in relations with Yugoslavia --US Ambassador Dunn in Rome has been informed by the Italian Foreign Office that reparation negotiations are being resumed with Yugoslavia as a means of keeping "the door open for eventual broader conversations." According to Dunn's informant, this tactic is being championed by Foreign Minister Sforza, who is encountering opposition at lower Foreign Office levels to any negotiation with Yugoslavia until all pending issues can be approached simultaneously.

- 2. CZECHOSLOVAKIA: Pressure against US Embassy continues -- US Ambassador Briggs in Prague reports that, as a result of continuing pressure by Czechoslovak authorities, a large number of the Embassy's local employees have resigned. Briggs adds that pressure against local Embassy employees is being maintained and estimates that the resignation of a considerable number of additional clerical employees is inevitable.

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GENERAL

1. US attitude on Anglo-Egyptian relations--The Department of State has instructed US Ambassador Caffery in Cairo to inform Egyptian Government officials, at his discretion and after discussions with his British colleague, that the US earnestly hopes the UK and Egypt will be able to reach a satisfactory and reasonable settlement of their differences regarding the British military position in Egypt. The Department adds that the US strongly supports the UK in this matter on the grounds that: (a) a satisfactory settlement on present British terms would be in Egypt's own interest; and (b) it is extremely important to Near East security and world peace for the UK to have certain strategic facilities in Egypt, particularly in the Suez Canal Zone area.

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EUROPE

- 1. CZECHOSLOVAKIA: Relations with US reviewed--US Ambassador Briggs in Prague expresses the opinion that the size of the US Embassy staff and its functions in the immediate future must be viewed in the light of what appears to be the recent basic change in the Czechoslovak attitude toward the US, which Briggs attributes to direct Soviet interference on a scale not previously evident. Briggs comments that regardless of the reason for the new Czechoslovak hostility, it must be accepted as a fact. In this situation, the Ambassador suggests that the US: (a) avoid becoming involved in a public altercation with the Czechoslovak Government; (b) immediately close the Czechoslovak consulates in Pittsburgh and Cleveland; and (c) proceed promptly to effect fairly large Embassy personnel reductions.

s/s

FAR EAST

- 2. THE PHILIPPINES: Reported Cabinet reshuffle--US Ambassador Cowen in Manila reports that he has received confirmation from a "reliable official" Philippine source that President Quirino is preparing a Cabinet reshuffle.

CIA/s

(CIA Comment: CIA believes that any attempts by Quirino to reshuffle his Cabinet are not likely to strengthen his rapidly weakening political position, in view of the present widespread loss of confidence in Quirino's leadership even among leaders of his own Liberal Party, including Vice President Lopez.)

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GENERAL

1. Views on disposition of Dutch New Guinea --The Department of State has received a note from the Dutch Ambassador in Washington stating that the Netherlands Cabinet has reached the conclusion that New Guinea should remain under Dutch authority and now requests US support in this matter. In the note, the Netherlands Government states that the transfer of authority over this area to either Australia or the United States of Indonesia would be "unacceptable" to the Netherlands and observes that: (a) the Round Table Conference agreed that the political status of New Guinea would be settled through bilateral Indonesian-Dutch negotiations; and (b) negotiations to date have shown that the Indonesian Government is not prepared to arrive at a solution satisfactory to the Netherlands. The Netherlands Government points out that the UN Commission on Indonesia, which will receive the report of the mixed Dutch-Indonesian Commission, may be able to assist the parties in reaching an agreement, and comments that the UN Security Council may have to consider the problem if agreement is not reached.

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Meanwhile, the Australian Government has reiterated its intention to protect what it considers to be Australia's vital strategic interest in Netherlands New Guinea and has indicated that Australia is prepared to entertain solutions other than outright Australian control over the area.

(CIA Comment: CIA believes that the Netherlands position favoring continued Dutch control over New Guinea, which was inspired by recent Australian statements that Indonesian control over that area could not be tolerated, may quiet the Australian Government's fears. CIA further believes that Indonesian knowledge of the adamant Netherlands position will further weaken Netherlands-Indonesian relations, because the Indonesians still expect to acquire Netherlands New Guinea before the end of 1950.)

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THE AMERICAS

2. **VENEZUELA: Possible dissolution of Communist Party--**
US Embassy Caracas reports that the military junta is considering the dissolution and suppression of the Communist Party in Venezuela.

CIA/S

(CIA Comment: CIA believes that the current Communist-inspired oil workers' strike will probably lead to government action to dissolve the Communist Party. CIA further believes that if the party is outlawed, the government will take strong and effective measures to eliminate Communist influence throughout Venezuela.)

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Doc. No. 1284
DATE: 6 MAY 1950

THE AMERICAS

- 1. **VENEZUELA: Oil strike reported spreading--US Ambassador Donnelly in Caracas reports that the oil strike in Venezuela is spreading, and that the government may soon take positive action to control any violence which may occur. The Ambassador also reports that an abortive attempt by 60 to 80 armed civilians to seize the airforce base Boca del Rio, near Maracay, resulted in the wounding of two army officers and the death of one attacker.**

(CIA Comment: CIA believes that the Venezuelan Government will be able to control strike violence and provide adequate protection for oil installations.)

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GENERAL

CIA/S

1. Ambassador Kirk suggest continuing UNSCOB--US Ambassador Kirk in Moscow believes that it would be inopportune to effect UN withdrawal from Greece by discontinuing UNSCOB at the next General Assembly meeting and dropping the Greek case from the agenda, especially in light of the many signs of increased Soviet aggressiveness on all fronts. The Ambassador feels that the suspension of Soviet-directed guerrilla activities in Greece is only a temporary tactical move stemming basically from the Yugoslav defection and adds that nothing has happened in the past year to suggest that the USSR will pause more than momentarily in the application of its expansionist pressures on every weak front to be found in the free world.

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EUROPE

S/S

1. ITALY: Attitude toward NAT--US Ambassador Dunn in Rome has been informed by Italian Foreign Office officials that the Italian Government is "intensely interested" in the immediate strengthening of Italy's political and economic collaboration with North Atlantic Treaty (NAT) countries. The Italian officials favor the establishment of a permanent political organization to facilitate the solution of common problems of NAT countries and report that Foreign Minister Sforza is "seriously considering" proposing at London that preparations be made for establishing a "common" NAT Army "with the fullest possible standardization and a real unified command." Dunn comments that he is impressed by the deep desire of Italian officials to play a more responsible role in NAT affairs and expresses the view that failure to accept Italian Government leaders as equal partners with leaders of the US, UK, and France will: (a) weaken them in the eyes both of their followers and their enemies; and (b) encourage the advocates of Italian neutrality in the cold war. Dunn strongly believes that taking Italy into closer confidence and fuller partnership would "pay good dividends" by assuring stronger Italian support in solving problems of the West.

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

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GENERAL

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1. Soviet response to proposed all-Berlin elections--US Commanding General Taylor in Berlin reports that the recent Soviet response to the Western proposal to hold all-Berlin elections, in view of the conditions imposed, is regarded by US officials, West Berlin leaders, and the general public "as tantamount to refusal" to permit elections. Taylor expresses the opinion that the Soviet demand for troop withdrawal from Berlin and for abrogation of the 1949 Occupation Statute (which would restore Soviet veto rights in the government of all Berlin) is "wholly unacceptable" to the Western Powers.

(CIA Comment: CIA agrees that the Soviet response to the Western proposal constitutes a refusal to hold all-Berlin elections, and believes that the Soviet reply is merely a propaganda attempt to counter the favorable effect on the Berlin population of the Western proposal.)

2. Acheson and Schuman review Western objectives--In reviewing world-wide objectives of the West with French Foreign Minister Schuman in Paris, Secretary of State Acheson expressed the opinion that the next three or four years would be critical because the USSR, by devoting proportionately more of its budget to military activities than the West, is widening the military gap, and might be induced by the altered balance of forces to take hostile measures in 1953-54. Acheson and Schuman agreed that in view of this situation, the West must strengthen its economic base, begin to put into operation its Hague military program, attach and utilize the great resources of West Germany, and coordinate propaganda efforts to give continuing expression to Western objectives. In response to Acheson's observation that the control of East-West trade has great strategic significance, Schuman remarked that France has agreed to renounce all deliveries that would strengthen the USSR.

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Schuman spoke eloquently of the excellent state of Franco-American relations, declaring that the majority of the French people felt that the European recovery program had saved the economy of France and that of Europe. In regard to divergent US-French views, Schuman declared that the US attitude on colonial problems had caused France some concern. He added that France had abandoned colonialism, but that chaos would result if the political evolution of backward areas preceded economic evolution. In reference to the French position in Indochina, Schuman emphasized that although France will not leave Indochina, it cannot remain there without help and still meet current commitments for European defense. Schuman commented that although it was not possible to so inform the Vietnamese now, the 8 March Agreements would "obviously" be modified after the end of the present conflict in Indochina. Schuman agreed to the proposed unilateral US statement on Indochina, and noted that in the next few days a French Ministry of Associated States would be created which would take control of Indochinese affairs out of the colonial office. Schuman and Acheson agreed on the importance of keeping Southeast Asia out of Communist hands, and on the primary responsibility of the French for holding Indochina, with the US acting in a supporting role. Schuman made a plea for the immediate delivery by the US of fighter planes and small naval vessels to be used in controlling the smuggling of arms to the rebel forces in Indochina.

At a later meeting, Acheson and Schuman agreed that the North Atlantic Treaty Organization needs a continuing executive to supply the foreign ministers with necessary information. In discussing Germany, Acheson expressed the view that there are probably only 18 months to three years left to the Western Powers to influence developments in Germany, regardless of the period of occupation, and that Germany must be "irrevocably aligned to the West." He added that the West should not contemplate building up German military forces, but must offer security and an economic future to the Germans. Acheson and Schuman agreed that the German nation must be increasingly integrated with Western Europe.

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GENERAL

1. Acheson and Bevin discuss Western problems--During a discussion of the world situation with Secretary of State Acheson in London, British Foreign Secretary Bevin expressed considerable concern over the possibility that the USSR might develop two big civil wars, one starting from Eastern Germany and one in Southeast Asia. Bevin cited the Greek civil war as an example of Soviet capability for starting civil wars without participating in them. He agreed with Acheson that Western military defenses and the association of the North Atlantic Treaty must be strengthened, but commented that such a strengthening would require the coordinated action of the Atlantic community and must be based on economies that would carry the weight without jeopardizing standards of living. Bevin stated that the UK has a dual approach to the problem: (a) to organize Europe as efficiently as possible; and (b) to stay under the umbrella of the Atlantic "organism." He also emphasized that the UK's economic and financial situation places limits on its ability to build its defenses. Acheson stated that he recognized that a broader economic base would be necessary to increase the Western defense effort and added that it was clear to the US that its interest in Europe would not stop with 1952. He expressed the hope that a definite program for that period would be formulated by the end of 1950.

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Concerning Southeast Asia, Bevin said: (a) that all of the area could be held if India and Pakistan settle their differences and remain with the West; and (b) the UK cannot contribute much economic assistance to the area. In a lengthy discussion on China policy, Bevin stressed the importance of preventing present US-UK differences from developing into an open split which might prejudice cooperation elsewhere. He expressed strong doubts about the present value of the UK position in China, but said that it was irreversible, and might in the end prove to be wise.

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Turning to the colonial question, Bevin expressed his concern and hope that the US would review its position in the light of the "progressive" evolution in British colonial policy. He stated that the loss of colonial areas would be fatal to allied defenses, and it was agreed that the US and UK positions should be further discussed in an effort to reach agreement before trusteeship matters arise in the next UN meeting.

EUROPE

2. GREECE: Relations with Yugoslavia --US Embassy Athens reports that during a recent conversation at the Greek Foreign Office, the Yugoslav Charge d'Affairs suggested an exchange of Ministers with the Greek Government and Greek Premier Plastiras agreed. The Yugoslav Charge stated that Yugoslavia has sent a representative to Geneva to discuss with the International Red Cross the question of the Greek children in Yugoslavia. He also suggested resumption of rail and other communications between Yugoslavia and Greece.

CIA/S

(CIA Comment: CIA believes that the Yugoslav proposal to exchange representatives with Greece is another step in Yugoslavia's efforts to strengthen its capability for resisting Soviet pressure by rapprochement with its neighbors.)

FAR EAST

3. AUSTRALIA: Attitude toward New Guinea question --The Australian Government has informed US Embassy Canberra that it intends to deliver formally to the Indonesian Government about 15 May a note expressing Australian concern

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over the future of Netherlands New Guinea. The note will declare that: (a) Australia does not consider Indonesian claims to Netherlands New Guinea justified; and (b) if a change in the status of Netherlands New Guinea is contemplated, Australia will press its own claims for the area, on the grounds of security.

THE AMERICAS

4. HAITI: Military junta ousts President Estime--US Charge Burns in Port-au-Prince reports that the situation is outwardly calm following the ouster of President Estime by a military junta. The Embassy expresses the opinion that this move resulted from the military's apprehension that Estime might attempt to assume dictatorial powers prior to the presidential elections scheduled for 1952.

CIA/CONF

(CIA Comment: CIA believes that although the junta's seizure of power may be a setback for the use of constitutional processes in effecting changes in Western Hemisphere governments, other more immediate US security interests will not be materially affected.)

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T O C S E C R E T

GENERAL

1. Acheson and Bevin continue discussions--Continuing their discussions in London of the world situation, Secretary of State Acheson and British Foreign Secretary Bevin agreed that it would be premature at this time to make final decisions on the question of the future relationship between the US and Europe and that a US statement indicating willingness to work out necessary arrangements would be sufficient. They also agreed that no new organizational machinery appeared necessary to formalize such a relationship. Acheson emphasized the desirability of prompt settlements of two current US-UK problems: petroleum and the structure of a European Payments Union.

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Turning to the German problem, Bevin indicated that he considered it to be the most important item on the agenda of the Foreign Ministers' Conference; Acheson and Bevin agreed that the way ought to be left open for Germany to become associated eventually with the North Atlantic organization. They also agreed that direct occupational controls, especially over German domestic affairs, ought to be gradually relaxed according to plan, and not merely in response to German pressure. Acheson then strongly urged that the West should try, during the limited period in which strong influence can still be exerted over Germany, to ensure the development of a democratic pattern of life in that country.

Concerning East-West trade, Acheson emphasized the necessity of quicker policy decisions on the composition and use of the 1-A and 1-B lists, especially on those issues where the interests of military security seemed to conflict with those of trade. Bevin felt that the UK position generally paralleled that of the US, but added that he would discuss the details with the British Board of Trade.

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T O C S E C R E T

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GENERAL

1. Western Ministers discuss world situation--In their London discussion of the world situation, Secretary of State Acheson set forth before Foreign Ministers Bevin and Schuman the following considerations as deserving strong emphasis:
- (a) the USSR, by pouring much of its national income into preparedness, has created so wide a gap between its readiness and that of the West that immediate action is now required on an interim, or mid-term, plan as drawn up by the western defense ministers;
 - (b) it is urgently necessary to create an economic foundation to support the required military effort and conditions of life in the West;
 - (c) full use of German production is a matter of urgency and requires the attention of the Western Powers;
 - (d) although the vitality and strength of the West, including relations in the North Atlantic area, have first priority, the problems of Asia are very important and the Western Powers must maintain their position in the East while building in the West; and
 - (e) the West must make it clear in presenting any action taken to increase western strength that no aggressive intent exists. Foreign Ministers Bevin and Schuman approved this statement of the situation.

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Turning to the problems of the UN with particular reference to China, Acheson declared that the question of Chinese representation was linked to major matters of US foreign policy. Because the US considers the USSR now possesses a position of dominance in China, from which it threatens all Southeast Asia, the US believes admission of the Chinese Communists to the UN is potentially more dangerous than a continued impasse in the UN. Acheson indicated that the US does not intend to take any positive action which would enable the UK to win a UN majority for admission of the Chinese Communists. The three foreign ministers then agreed that the Chinese admission question would be left until one of the governments informed the other two of its interest in re-opening the issue.

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2. US position on New Guinea problem--The Department of State has instructed US Ambassador Jarman in Canberra to inform the Australian Government that, although the US believes a trusteeship under Dutch administration to be a generally favorable solution of the New Guinea problem, the US neither supports nor opposes the recent Netherlands Cabinet decision to continue administering New Guinea as a dependent territory. Jarman is also to express the view that the US believes it can best contribute to a solution by refraining from lending support to either party and by awaiting the results of present efforts of the Netherlands and Indonesia to reach a settlement.

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GENERAL

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1. Survey of London three-power meetings--In a summary report on the three-power meetings in London, Secretary of State Acheson expresses the view that progress has been made toward reaching a better understanding of the fundamental questions confronting the Western Powers. The Secretary feels that this understanding will pave the way for improved cooperation and more effective concerted action in the future.

In his discussions with the British concerning the UK position in the world and the US-UK relationship, Acheson believes the following British preoccupations have emerged: (a) an emphasis upon the Labor Party's domestic program and British viability by 1952; (b) a desire for a "special relationship" with the US; (c) a desire to maintain a Commonwealth-sterling area-world position as distinguished from the role of an European power; (d) a resulting emphasis upon developing the NATO as an Atlantic community "umbrella" as opposed to the French theory of developing such strictly European organizations as OEEC; and (e) a concern over divergencies in US-UK policy, such as has been illustrated in the Chinese and colonial questions.

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GENERAL

1. North Atlantic Council meetings--At the close of the 15 May sessions in London of the current North Atlantic Council, Secretary of State Acheson made the following summary of remarks by the various Western foreign ministers: (a) there is need for concerted effort in the economic and defense spheres to strengthen the Atlantic community; (b) it is important to make a coordinated and intensified psychological presentation of the Western view; (c) organizational solutions of Western problems should not duplicate or confuse existing machinery; and (d) there is both unanimous feeling that the UN must be supported and universal concern over the danger of the Soviet boycott.

S/S

2. Views on Schuman's Franco-German proposal--US Ambassador Bruce in Paris characterizes French Foreign Minister Schuman's proposal to pool French and German coal and steel resources as "the most imaginative and far-reaching approach that has been made for generations to a settlement of the fundamental differences between the two nations." Bruce points out that many objections will be raised against the plan, but a consideration of possible difficulties should not be permitted to dampen the enthusiasm the proposal merits. Bruce considers it important that the scheme not lose its "present momentum" and that negotiations to implement the proposal begin as quickly as possible.

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(CIA Comment: CIA anticipates some opposition to the Schuman proposal will develop in France, Germany, and the UK. The French Government, however, will be able to overcome immediate French objections if it can convince Parliament that the plan will not result in serious French unemployment, German predominance in the arrangements, and the disadvantages of cartelization.)

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THE AMERICAS

3. VENEZUELA: Break with USSR imminent--US Embassy Caracas has been told by a reliable source that the Venezuelan Government will break relations with the USSR sometime during the current week. According to a high police official, a strong anti-Communist group in the government is urging that drastic action be taken against all Communists, including the splinter "Black Communist Party" which was not affected by the 13 May decree outlawing the regular Communist Party.

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(CIA Comment: There is a strong probability that Venezuelan-Soviet diplomatic relations will be broken in the immediate future. Such action would deprive the USSR of an important channel for the direction of Communist activities in Latin America.)

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GENERAL

1. Italian concern over Western views on Trieste--US Ambassador Dunn in Rome has learned that Premier De Gasperi has instructed Foreign Minister Sforza it is "politically imperative" to bring back from London Allied reassurances regarding Italy's vital interests in the Free Territory of Trieste. De Gasperi is particularly anxious that Italy obtain: (a) Allied cooperation in persuading the Yugoslavs to free traffic between the two zones of the Territory; (b) Allied assistance in re-establishing minimum human rights in the Yugoslav Zone, especially freedom of religion; and (c) Yugoslav administration of its Zone in a manner not prejudicial to the eventual implementation of the 20 March 1948 tripartite declaration (which favors restoration of all Trieste to Italy). According to a high official of the Italian Foreign Office, both British Foreign Secretary Bevin and French Foreign Minister Schuman have given Sforza assurances that they stand behind the 20 March declaration.

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FAR EAST

2. CHINA: Nationalist evacuation of Chou Shan Islands--US Charge Strong in Taipei comments, concerning the Chinese Nationalist withdrawal from the Chou Shan Islands, that although there may be sound military reasons for the move, the abandonment of the islands will have an adverse psychological effect on civilians and military personnel on Taiwan and will have adverse political effects abroad. In Strong's opinion, the evacuation will reduce the life of Chiang Kai-shek's regime, even though one of Chiang's motives may have been to gain time. Strong has informed US Embassy

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Manila that he estimates the removal of US personnel from Taiwan will be necessary at an earlier date than previously contemplated.

(CIA Comment: CIA does not believe that the mere concentration of Nationalist forces on Taiwan, following the withdrawal from the Chou Shans, will materially increase the Chinese Government's defensive capabilities. CIA further believes that the relaxation of the Nationalist blockade of East China ports, as a consequence of abandonment of the Chou Shan bases, will materially benefit the Chinese Communist economy.)

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GENERAL

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2. Possible US effort to obtain German unification--The Department of State has informed US High Commissioner McCloy of its willingness to make one more real effort to unify both Berlin and Germany before recognizing the division of the country. The Department indicates it has little hope such an effort will succeed but feels willing to go through with it because: (a) important German leaders believe that Western moves favoring all-Berlin and all-German elections must be more than mere propaganda maneuvers; and (b) the French apparently require positive evidence of Soviet unwillingness to re-establish Berlin as a unified, quadripartite city before considering the possibility of making Berlin a 12th German Land. The Department believes negotiations could be carried on at first by an exchange of US-Soviet notes, following which a conference might be held if differences began to narrow and if the atmosphere of recrimination were absent.

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3. US plans protest on Soviet Zone police for 25 May--The Department of State has advised US Embassy Moscow that the US formal protest to the USSR over the militarization of the East German police should be made public in time to receive maximum German press treatment on 26 May, two days before the Communist Youth Rally in Berlin. The Department suggests that the Embassy endeavor to coordinate with the British and French in presenting the protest notes to the Soviet Government on 25 May.

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GENERAL

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1. Western reply to Soviet note on Trieste opposed--US Ambassador Dunn in Rome recommends that the contemplated Western reply to the Soviet note on Trieste be postponed until the views of the Italian Government can be obtained. Dunn believes that any reply at all will "almost certainly" work against the US interest in establishing an atmosphere conducive to the successful negotiation of an Italo-Yugoslav settlement of the Trieste problem. Dunn observes that Italo-Yugoslav relations on this matter have recently improved and that a progressive decrease in the tension may be expected if new elements are not injected into the situation. Dunn believes that any Western reply which did not specifically reaffirm the tripartite declaration of 20 March 1948 (favoring the return of the whole Territory of Trieste to Italy) would jeopardize Italian Foreign Minister Sforza's ability to control his government's approach to the problem. Dunn also points out that a reply that did reaffirm the 20 March 1948 position would offend the Yugoslavs.

(CIA Comment: CIA concurs in Ambassador Dunn's assessment of the Italian state of mind concerning the Trieste problem.)

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GENERAL

- 1. Berlin Youth Rally to be confined to Soviet sector--Head-quarters of US Forces in Germany reports that at a Berlin conference on 4 May attended by General Kotikov, the Soviet Commandant in Berlin; the chairman of the Free German Youth (FDJ); and other high officials, the following decisions were made regarding the FDJ rally scheduled for the weekend of 27-29 May: (a) under no circumstances will participants in the rally be permitted to enter the western sectors of Berlin; (b) "mass quarters" close to the western sector borders will not be used; and (c) without special permission, rally participants will not be permitted to distribute propaganda in the western sectors.

ARMY/S

(CIA Comment: On the basis of recent evidence, CIA believes the FDJ will avoid any occasion of major conflict with the west sector police during the rally. CIA continues to believe, however, that either planned or unpremeditated incidents of violence within the western sectors are likely to occur.)

THE AMERICAS

- 2. BOLIVIA: General strike becomes revolutionary attempt-- [redacted] the general strike has now become a revolutionary attempt by a combination of the rightist MNR (National Revolutionary Movement) and Communist-led PIR (Party of the Revolutionary Left) involving pitched battles with government forces in which approximately sixty persons have been killed to date. US Embassy La Paz states that disturbances are confined to the capital.

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(CIA Comment: Although pressure on the Bolivian Government is great, there is a fair chance for its survival so long as the military support it as effectively as at present.)

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GENERAL

1. Soviet official discounts war as alternative--US Ambassador Kirk in Moscow transmits from a "reliable source" an account of a conversation between Trygve Lie, Secretary-General of the UN, and Arkady Sobolev, an official of the Soviet Foreign Office, on the subject of increasing US-Soviet tensions, during which Lie asked point blank if the USSR was headed for war. According to the account, Sobolev replied he did not foresee war as an alternative because the USSR considers the outcome "too uncertain and too dangerous." Kirk comments that even though Sobolev, in view of his previous relationship with Lie, might be expected to speak more freely on this occasion, he probably is not "sufficiently cognizant" of Politburo views to lend "major importance" to his statement. (Sobolev was Assistant Secretary-General of the UN from 1946 to April 1949.)

2. Views on defection of Czechoslovak UN delegate--According to US Embassy Belgrade, the Yugoslav Deputy Foreign Minister for European Affairs considers the defection of Czechoslovak UN delegate Houdek of "tremendous importance" because Houdek is an old line Marxist who had never belonged to the "halfway collaboration" school of Benes and Masaryk. The Yugoslav official reportedly feels confident that the Czechoslovak Government and other Satellites will find it increasingly difficult to find suitable candidates for overseas posts. Embassy Belgrade expresses the view that the treatment Houdek receives in the US will have material bearing on the "general question of Titoism" and points out that those inclined toward Titoism would be greatly discouraged if Houdek is not given the status of a political refugee.

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GENERAL

1. Report on progress of US policy toward Yugoslavia--In commenting on US policy towards Yugoslavia, US Embassy Belgrade expresses the view that marked progress has clearly been made toward the establishment of a Yugoslav-Western working relationship based on mutual advantage and mutual respect for rights and independence. However, the Embassy indicates, in discussing the serious concern of the Yugoslavs over the continuance of US financial help, that if patience is not exercised in establishing a satisfactory economic relationship with Yugoslavia, there is danger that US-Yugoslav relations will become "so soured" that the US might lose some of the "extraordinary political benefits" already won through the gradual reorientation of Yugoslavia toward the West.

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Concerning Yugoslavia's relations with its neighbors, the Embassy reports a genuine Yugoslav desire to improve relations with both Greece and Italy and points to hopeful signs that Yugoslavia and Greece can make mutually profitable progress in normalizing their relationship; the Embassy feels, however, that the Italians may be inclined to hold back from a broad effort to improve relations with Yugoslavia.

2. Australians set back at Commonwealth Conference--US Ambassador Jarman in Canberra estimates that the recent Commonwealth meeting on Southeast Asia will have a salutary psychological effect on Southeast Asia and will complement the effect of US policy for the area. Commenting that the conference was a failure from the Australian point of view, he reports that the Australian objective was to force agreement on a three-fold plan embracing Commonwealth technical aid, the provision of emergency relief supplies and the setting up of a longer range credit scheme, a program which was

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successfully opposed by the UK and Canada on the grounds that it was economically unrealistic. Jarman observes that Australian conduct at the conference strengthens the view of the Embassy that the Government is determined to establish a foreign policy which will be independent of the UK and the entire Commonwealth wherever general agreement cannot be obtained.

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GENERAL

- 1. US representation in Schuman plan talks opposed--US Ambassador Bruce in Paris expresses the view that the US should continue to manifest general support for the Schuman proposal to pool the French and German coal and steel industries but should not become directly involved in the preliminary stage of negotiations and thereby limit US freedom of judgment concerning the plan that may emerge. Bruce believes that the US should not be represented, even by observers, on the working committees at this stage, and observes that the French will be eager to keep the US informed of developments. Bruce feels that active US participation would be misinterpreted, declaring that even the appearance of American direction will jeopardize acceptance of the proposal in France. Bruce considers it important that all US representatives abroad adopt a common attitude on the Schuman proposal. He adds that these views are concurred in by US Ambassador Harriman.

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GENERAL

- 1. UK seeks settlement of Anglo-Egyptian treaty-- A Foreign Office representative has informed US Embassy London that the UK has advised the Egyptian Government of the desirability of settling the UK-Egyptian treaty on a basis of "mutual trust and equality." The British Army Chief of Staff, Field Marshal Slim, is expected to visit Egypt, while en route to Australia in June, in order to discuss the purely military aspects of the problem and to point out to the Egyptians their inability to defend themselves and the necessity for Anglo-Egyptian defense. According to the Foreign Office informant, the defense arrangements envisaged include integration of planning, joint headquarters, and joint air defense.

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GENERAL

1. Views of Dutch Ambassador to USSR on Soviet outlook-- US Ambassador Chapin at The Hague transmits the view of the Dutch Ambassador to the USSR that no possibility exists of internal Soviet revolution or of an easing of the international situation as a result either of Soviet domestic problems or Stalin's death. The Dutch Ambassador foresees instead a Soviet evolution with a rising standard of living through a succession of four 5-year plans. He is convinced, despite rapid Soviet military preparations, that war on a major scale is presently impossible in Soviet planning and the USSR does not make "major mistakes or take unnecessary gambles." However, he regards war within five years to be a distinct possibility if the USSR should succeed in discovering and developing rich new oil deposits, possibly in the Batum area or Siberia. The Dutch Ambassador concluded the interview with the hope that Western unification would proceed rapidly as the only effective counterpart to Soviet expansion, declaring his belief that a firm stand for the next four or five years would halt such expansion and perhaps may even force a slight withdrawal.

CIA/S

2. Trygve Lie believes USSR wants return to UN-- US Ambassador Douglas in London has been told in strict confidence by a British Foreign Office official that Trygve Lie found Soviet leaders concerned by the situation created by their UN walk-out and wanted to return but cannot do so until the problem of Chinese representation is settled. Lie reportedly gained the impression that the USSR would not defeat the proposal for a meeting of the UN Security Council meeting on the ministerial level, provided the Chinese question were solved in advance. Stalin expressed to Lie no hostility concerning the idea of a meeting of the heads of state but emphasized the need for careful preparation for meetings on any level. The British Foreign Office official indicated that Lie made no specific proposals while in London.

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GENERAL

- 1. Austrian Treaty deadlock continues--US Embassy London reports that at the last meeting on the Austrian Treaty the Soviet delegate continued his attempts to inject the Trieste issue into the negotiations. The Soviet deputy insisted that no date could be set for the next meeting until the Western Powers had answered the 20 April Soviet note which accused the Western Powers of violating the Italian Peace Treaty provisions on Trieste. The Western delegates replied that they would be in London on 10 July ready to resume negotiations.

CIA/S

(CIA Comment: By injecting the Trieste issue into the Austrian Treaty talks, the USSR has again demonstrated that it is under no compulsion at this time to reach agreement with the West either on individual issues or on an overall settlement. In addition to using the Trieste issue as an excuse for further stalling on the Austrian Treaty, the USSR probably hopes by this means to embarrass the West in its relations with Italy and Yugoslavia and to demonstrate that the West does not carry out its international obligations.)

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GENERAL

1. Multilateral talks proposed on Schuman plan--US Embassy Paris has learned from a French official that the French and Germans have agreed to begin multilateral negotiations soon on the Schuman proposal for pooling coal and steel resources and that the French are confident that the Benelux countries and Italy will join the negotiations on the basis already agreed to by France and Germany. Meanwhile, according to US Embassy London, the UK is willing to participate in direct Franco-German discussions on the proposal, but feels that a full international conference is not the appropriate way to approach the problem. The British are opposed to announcing their agreement on general principles before the practical details have been worked out. The French, however, plan to proceed with the proposed conference, fearing that discussion of the details of the Schuman plan at this time would cause delays which would make its eventual adoption much more difficult and probably impossible.

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EUROPE

2. SPAIN: Cabinet changes rumored--US Charge Culbertson in Madrid, for the first time in three years, gives "substantial credence" to current rumors of an impending change in the Spanish Government. According to Culbertson, there is some hope that Franco will dismiss Minister of Industry and Commerce Suances, who is "in more trouble and hot water than ever before." If Franco replaces Suances with a man of ability and liberal policies, Culbertson will be inclined to recommend that the US assist the Spanish economy in order to demonstrate US willingness to encourage liberalization in the economic as well as the political field.

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(CIA Comment: CIA believes that Suances is in a weak position, but that, for reasons of prestige, Franco may attempt to postpone any Cabinet changes until after expected favorable action on the Spanish question by the UN General Assembly. Although Suances' successor would probably take steps designed to attract foreign investment, economic liberalization would be avoided as far as possible. In any event, liberalization of political controls is not likely.)

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GENERAL

- 1. UK refuses advance commitment to Schuman proposals--
 According to US Embassy London, the British Foreign Office is still unwilling to commit itself in advance to the essential principles of the Schuman proposal for pooling Western European coal and steel resources and therefore cannot accept the French view that such a commitment is a prior condition to participation in the planned seven-power talks. The UK has reiterated its desire to participate in any discussion of the question and to adopt a positive attitude generally toward the Schuman proposals, but has indicated its inability to make a prior commitment to pool resources and set up a joint authority. A Foreign Office spokesman has expressed to Embassy London the view that British participation is essential to the success of the planned talks and has declared that the British would have "a great deal to contribute."

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GENERAL

75-5

1. Declaration on Schuman plan to be issued--According to US Ambassador Bruce in Paris, the text of the French declaration on the Schuman industry pooling plan has already been accepted by Belgium, Luxembourg, and Italy and will probably be issued 2 June 1950. Bruce adds that the Netherlands will probably join in the declaration after trying to make some reservations, and that the UK will not join in the declaration as now drafted. Bruce observes that one school of French thought, in which Socialists are prominent, favors altering the present terms of the declaration in the hope that the UK might eventually participate. The opposing school holds that the UK will never surrender the measure of sovereignty called for under the plan, and that the UK would be given an opportunity to obstruct the development of the plan if invited to participate in the forthcoming deliberations on "a special basis." This school also considers the British economy in its present form to be "almost irreconcilable with the fundamental purposes" of the Schuman plan.

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GENERAL

1. US plans reply to Soviet note on Trieste--The Department of State has advised US missions abroad of its conclusion that a reply to the Soviet note on Trieste of 20 April cannot be avoided. The Department explains that Soviet refusal to fix a date for future meetings on the Austrian treaty until a reply has been received to the Trieste note is the chief reason for the present decision. The Department also indicates it now shares the view of the British and the French that reiteration at this time of the 20 March 1948 declaration on Trieste (favoring return to Italy of the whole Territory of Trieste) will increase prospects for eventual success in Italian-Yugoslav negotiations regarding Trieste.

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GENERAL

1. Soviet program for East Germany reviewed--US representative Page in Berlin, in reviewing the general Soviet program for Eastern Germany, expresses the opinion that the Kremlin "is making substantial progress" in its attempts to assimilate the eastern zone and comments that the most remarkable point in this progress is that such a "foreign imposed totalitarianism" is taking hold despite native antagonisms. The US representative believes that the east German youth organization is successfully utilizing many Nazi psychological and social patterns and the age-old German craving for group solidarity. Page remarks that the recent Communist-inspired youth rally in Berlin was an impressive demonstration of strength and that the present east German youth organization is comparable to the Hitler youth group in its corresponding stage of development. Page points out that the Communist "digestion process" in Eastern Germany is far from complete, but adds that, pending a major change in the world picture, the Communist steamroller for converting East Germans is unlikely to be halted by any local tactics.

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GENERAL

1. Bruce suggests US support for Schuman plan--US Ambassador Bruce in Paris reports that since the UK has found the Schuman plan unacceptable, there is "naturally great concern" among the Western European countries to be assured that the US still favors the proposed integration of coal and steel industries of various countries under an international authority. Bruce points out that it will not be easy for the participating countries to agree upon integration terms acceptable to their respective parliaments, and recommends that the US "sympathetically and vigorously" encourage the French initiative. As a possibility for indicating US moral support, Bruce suggests that consideration be given to a US statement publicly congratulating France and the other participants on the spirit and scope of the Schuman plan.

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GENERAL

- 1. Possible Kremlin conference on Southeast Asia --US Embassy Bangkok expresses the opinion that the imminent departure for Moscow of the Soviet Minister and the former Charge, following the recent departure of other Soviet officials, may indicate that an important consultation or planning conference on Southeast Asia will soon take place in Moscow. According to the Embassy, the British representatives in Bangkok concur in the view that the USSR may be calling an urgent meeting in order to decide upon immediate steps to prevent or counter the strengthening of Southeast Asia by the Western Powers.

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(CIA Comment: The recall of Soviet representatives from Bangkok, combined with the recall for consultations of top diplomatic personnel from all the Soviet diplomatic posts (except China) in Eastern Asia, indicates that the Kremlin is probably reviewing its over-all policy for the Far East. The additional presence in Moscow of the Soviet Ambassador to the US, a Far Eastern expert familiar with US thinking, is further evidence that the USSR is formulating new tactics designed to counter Western attempts to strengthen anti-Communist efforts in the Far East, especially in Southeast Asia.)

- 2. East German-Polish "deal" suggested --US Embassy Moscow reports that present evidence points to a "Soviet-inspired deal" whereby Poland might offer the East German government (GDR) a maritime outlet in the Stettin area. The Embassy states that this action might take the form of outright territorial concession (thus actually modifying the Oder-Neisse frontier) or of an agreement permitting the GDR access to and use of a special port zone.

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(CIA Comment: Although it is possible Poland will grant the GDR right of access to Stettin and the use of a special port zone, CIA does not believe that the USSR will modify the Oder-Neisse frontier in the near future.)

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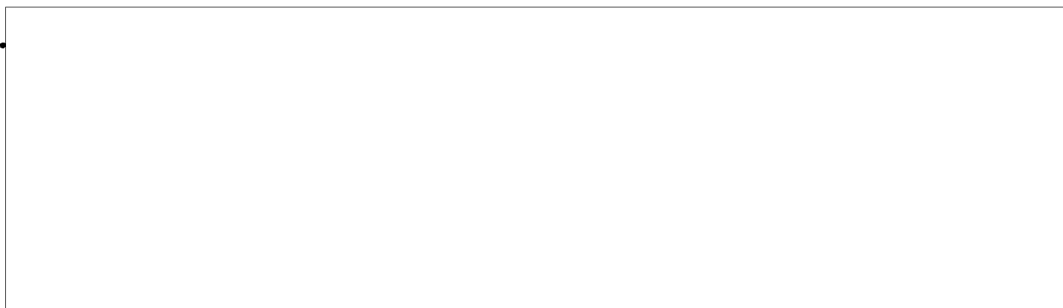
EUROPE

- 3. UNITED KINGDOM: British thinking on Schuman proposal-- US Ambassador Douglas in London expresses the belief that the British, fully aware that the French would not accept the proposal, suggested a ministerial meeting to discuss the Schuman plan prior to formal negotiations in the hope that the other participating continental powers could be weaned away from French leadership and thus induced to follow British suggestions for dealing with the matter. Douglas further estimates that the British made their suggestion as a challenge to "renewed" French leadership on the continent because the UK was not prepared to participate in the Schuman proposal and at the same time was unprepared to pay the consequences for not joining. The Ambassador also expresses the view that a basic cause for British reluctance to participate in the Schuman plan is their fear of exposing themselves to forces which would jeopardize the UK's ability to plan and which might interfere with their program of full employment.

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EUROPE

- 1. **THE NETHERLANDS: Optimism reported growing--**
According to US Ambassador Chapin in The Hague, the Dutch "are now all for the Schuman plan," which they welcome as a contribution to the integration of Western Europe. Chapin believes that the Dutch, who have replaced their traditional neutrality with a new willingness to participate in international affairs, now exhibit a more positive feeling in regard to the future of the Netherlands and of Western Europe. The Dutch are now more optimistic that European civilization can survive, and they are eager and ready to play their part in the integration which they believe to be essential to this survival.

CIA-5

FAR EAST

- 2. **INDONESIA: Parliament favors Ho Chi Minh--**US Ambassador Cochran in Djakarta, in reporting the interest of the Indonesian Parliament in the problem of Vietnamese independence, notes the existence of a "genuine, albeit misguided," Indonesian sentiment strongly favoring the Ho Chi Minh regime in Indochina. Cochran estimates that if a choice were demanded in terms of retaining Western assistance or pursuing an independent foreign policy, the Indonesian Parliament would favor support for Ho. The Ambassador points out that parliamentary pressure was recently exerted for immediate recognition of the Ho regime and that Indonesian Premier Hatta was successful at that time in substituting a resolution favoring study of the problem of independence for the people of Vietnam, as well as a possible inter-Asian conference to find a solution for the Indochina conflict.

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GENERAL

1. Indonesia takes neutral stand on Indochina--US Ambassador Cochran in Djakarta reports that when he expressed to Indonesian Premier Hatta the concern felt by the US over the Indonesian Parliament's recent resolution regarding Indochina, Hatta characterized the move as a political maneuver to forestall a more radical proposal and indicated his government does not contemplate the calling of an inter-Asian conference on Indochina, as the resolution suggests. Hatta told Cochran that Indonesia does not wish to recognize either Bao Dai or Ho Chi Minh so long as neither is in control. He pointed out that Indonesian policy was to foster unity in genuine nationalist movements in the Far East, not to divide them. Hatta declared his government intends to consult individually with other friendly governments in an effort to achieve a French yielding of sovereignty in Indochina.

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EUROPE

1. UNITED KINGDOM: Further reaction to the Schuman plan--
 According to US Ambassador Douglas in London, the UK's chief economic planning official has categorically stated that the British are not preparing counter proposals to the Schuman plan and has declared that the UK Government is well aware of the political importance of the Schuman proposal. The British planning official expressed his personal view that the British would support the plan, even at the cost of economic disadvantages, provided there was "reasonable assurance" that it would work. Douglas comments that these remarks express the sincere views of a planning official intimately involved in consideration of the Schuman plan but expresses his doubt that such remarks accurately represent the true feelings of higher government officials responsible for the 3 June communique. Douglas further comments that because Foreign Minister Bevin, whom he suspects as having been largely responsible for the communique, is in the hospital and Attlee, who is more favorable to the plan, is therefore playing a larger role in foreign policy, the British position may be gradually modified.

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GENERAL

1. Western Commandants reply to USSR on Berlin elections--The Department of State has agreed to the proposed text of a letter, to be sent by the Western Commandants in Berlin to the Soviet Commandant, which takes issue with the seven Soviet conditions for city-wide elections and re-emphasizes the general principles that guide the Western approach to the reunification of Berlin. In the proposed text, the Commandants insist on a freely elected city government for Berlin, with the guarantee of city-wide freedom for all individuals and democratic political groups, before, during, and after the elections. The Commandants point out that, because the occupation forces are intended to guarantee the civil rights of the Berliners, there is no reason to make the holding of elections conditional upon the withdrawal of occupation forces. The Commandants also state that quadripartite work in the Kommandatura should be resumed only when the abolition of the veto permits the expeditious handling of business.

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2. British and French views on German export control--US High Commissioner McCloy in Frankfurt expresses doubt that he could persuade his British and French colleagues to approach the West German Government with a demand for corrective action regarding controls over the export of strategic items to the Soviet bloc. McCloy states that British and French representatives in the High Commission are unable to agree on strict controls for German exports as long as their home governments do not themselves apply stricter controls than they are now doing. The representatives point out that, in the absence of such action on the part of the British and French governments, the Germans would charge discrimination.

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GENERAL

1. Views on recognizing Ho regime--According to US Embassy New Delhi, Indian Secretary for External Affairs Bajpai has received a message from Prime Minister Nehru (now in Djakarta) in which Nehru agreed with Bajpai that it would be unwise for the United States of Indonesia to recognize the pro-Communist Ho Chi Minh regime in Indochina at this time. Nehru added that the Indonesian Government has no intention of recognizing Ho or of taking the initiative in convening an Asian conference on the Indochinese question. Bajpai informed the Embassy that: (a) the Indonesian Government was "closely in step" with the Government of India in its attitude toward Indochina; and (b) the Government of India would recognize as the government of Indochina that group which achieved effective control of the country.

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GENERAL

- 1. USSR invited to name civilian commissioner for Austria--
 US Ambassador Kirk in Moscow, in concert with his British and French colleagues, has delivered an invitation to the USSR to join the three Western Powers in designating civilian high commissioners for Austria to replace the present military commanders. The Western Powers are taking this action "at an early date" to strengthen the authority of the Austrian Government and to ease the occupation burdens on Austria. In the note, the Western Powers reaffirm their readiness to settle without delay all outstanding issues of the Austrian treaty and indicate their feeling that the appointment of civilian high commissioners for Austria will constitute progress toward the restoration of a free and independent Austria.

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GENERAL

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- 1. Possibility of Satellite union reported--US Ambassador Chapin at The Hague has been informed by the Israeli Minister there that a Communist "friend" (evidently the Hungarian Minister at The Hague) recently remarked that "one should not be surprised" at the development of a political union between Rumania, Hungary, Bulgaria, and Czechoslovakia. Source also stated that he had been given the impression that the first move in establishing such a political union would be the creation of a Southeast European grouping, partly as a counterpoise to the Atlantic Pact. Source commented that although such a union might eventually be incorporated into the USSR, such action would be deferred indefinitely.

(CIA Comment: Although the formation of a South-east European grouping cannot be discounted entirely as a possible Soviet effort to counter the growing consolidation of Western Europe, such a move by the Kremlin is not likely at this time. The establishment of a federation of Satellites would increase the possibility of collusion among Satellite leaders which might lead to a defection similar to Tito's. CIA has no evidence that the USSR has been able to eliminate Satellite nationalism sufficiently to justify assuming the risk inherent in establishing such a bloc at present.)

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GENERAL

1. French views on West German police force--According to US Ambassador Bruce in Paris, the French will agree to the establishment of a small West German security force, but they will insist that it be clearly understood that there is no connection between the increase of the police powers of the West German Government and the remilitarization of the Soviet Zone. The French are willing to permit a police force of about 500 men for the Bonn enclave and would agree to having the Federal Government control the provincial police under some circumstances. Bruce comments that the French Foreign Office is still very anxious over the possibility of an "armanents race" between eastern and western Germany.

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EUROPE

1. DENMARK: Concern regarding defense reported--US Ambassador Anderson in Copenhagen reports that, during an extended conversation with Prime Minister Hedtoft, the Prime Minister reaffirmed his concern and anxiety regarding Denmark's security and defense needs. The Prime Minister considers that fear of war and uncertainty regarding Danish security provided by Western defense plans are "daily growing stronger" in the minds of the Danish people, who do not wish "to be occupied and later liberated." Partly as a result of this uncertainty among the Danish people, the Prime Minister feels that current Communist peace propaganda is having some effect.

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EUROPE

1. **UNITED KINGDOM: Views on Labor Party pamphlet--**
 According to US Ambassador Douglas, the recent Labor Party pamphlet on European unity is a badly expressed reaffirmation of the Labor Party's belief in a cautious approach to political or economic European unity and its opposition to a supra-national European authority. Douglas believes the pamphlet, though seriously embarrassing to the government, will have little if any effect on government policy and will not fundamentally affect the relationship between the US and British governments. Douglas has been confidentially informed that Prime Minister Attlee had neither seen nor approved the document before it was issued and surmises that other responsible Ministers were largely ignorant of the pamphlet's contents prior to publication.

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EUROPE

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- 1. ITALY: Attitude toward Schuman plan negotiations--US Ambassador Dunn in Rome reports that the Italian delegation to the Schuman plan negotiations has been instructed to maintain and defend a "truly European attitude," while at the same time endeavoring to "keep the door always open for the UK." The Italian delegation was reminded that the objective of the negotiations is to assure free access by Europe to coal, steel, and ore at non-discriminatory prices and was authorized to make sacrifices relating to the elimination of uneconomic plant capacity in Italy. Dunn adds that the Italian Government recognizes that a workable agreement may be obtained for the continent that would not attract the UK and that, in such an event, the fate of the Schuman plan would depend on the US attitude.

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FAR EAST

1. INDOCHINA: Bao Dai reportedly discouraged and depressed--
 US Consul General Gullion in Saigon, in summarizing his impression of Bao Dai's present attitude toward the future of Vietnam, reports that Bao Dai appeared to be profoundly depressed and discouraged during a recent, prolonged interview. Bao Dai (who has now firmly decided to go to France) remarked that he would "wait and see" before deciding upon the date of his return from France, and Gullion comments that Bao obviously conceives of his coming visit as a means of wringing further concessions from the French as the price for his return. Bao believes that the French military effort in Indochina is going badly and feels that the French "are welching" on their political promises for granting greater autonomy to the new State of Vietnam. In estimating how Bao Dai's state of mind may affect the course of events in Indochina, Gullion comments that although Bao's present attitude may be transitory, the fact remains that Bao is seriously considering a "stay away" strike against the French and that Bao's present disconsolate attitude is far from that of a single-minded leader of an anti-Communist crusade.

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(CIA Comment: Bao Dai's imminent departure from Indochina, on the eve of the technical conference scheduled for 20-25 June between France and the three new Indochinese states and just prior to initial delivery of US aid, is primarily a bargaining move aimed at extracting a French commitment to expand the "limited independence" recently granted Vietnam within the French Union. A prolonged stay in France by Bao Dai would seriously hamper French attempts to create a non-Communist nationalist movement in Indochina, and Bao's flat refusal to return to Vietnam could lead to a collapse of the current French political effort in Indochina.)

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GENERAL

1. Egyptian King reportedly favors British presence in Suez--US Ambassador Caffery in Cairo has been confidentially informed that King Farouk has expressed the belief that total evacuation of British troops from the Suez area would not be to Egypt's advantage. Caffery comments that although the Prime Minister and Foreign Minister were reportedly dismayed at the King's attitude, British Field Marshal Slim might now find the atmosphere more favorable for discussion of Anglo-Egyptian defense problems when he returns to Egypt next month.

2. British attitude toward Tibet--US Ambassador Douglas in London has learned that the UK is prepared to recognize Chinese Communist sovereignty over Tibet, but only with the understanding that Tibet continue to be regarded as autonomous. The UK considers that any attempt to intervene in Tibet would be "impractical and unwise," primarily because: (1) Tibet's inaccessibility makes it virtually impossible to do anything to strengthen Tibetan military capabilities for resisting Chinese Communist aggression; and (2) Britain is not now sufficiently interested in the area to warrant risking embroilment with Communist China over the fate of Tibet.

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GENERAL

1. Bao Dai's "objectives" in visiting France--US Ambassador Bruce in Paris has learned from Emperor Bao Dai's entourage already in France that Bao plans to remain in France for about two months. The Emperor's advance guard, which is vigorously defending the Emperor's visit, stated that the four main reasons for Bao's visit at this time are: (a) to provide close moral support and direction for the Vietnamese delegates meeting with French representatives to work out methods for speeding up the achievement of Indochinese independence within the French Union; (b) to conclude an agreement with the French defining the powers of the Vietnamese High Commissioner in France and the French High Commissioner in Indochina; (c) to clarify the responsibilities and functions of the new Vietnamese army; and (c) to arrange for an early return of the Empress to Vietnam. Bruce comments that the foregoing "reasons" may have been filled in after Bao's decision to visit France and that the Vietnamese are apparently determined to use Bao's presence in France to their best advantage.

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EUROPE

1. GREECE: Rapprochement with Yugoslavia being delayed--
 US Charge Minor in Athens reports that he has been un-
 successful in his efforts to persuade the Greek Foreign
 Office to go ahead with the exchange of ministers with
 Yugoslavia. According to Minor, Under Secretary for
 Foreign Affairs Politis asserted that, while he understood
 the international importance of improved Greek-Yugoslav
 relations, it was virtually impossible to sell the idea to
 the Greek public so long as Yugoslav "provocations" re-
 garding Greek Macedonia continued. In reply to Minor's
 suggestion that the Greek Government might proceed to
 exchange emissaries without making any further commit-
 ments, Politis asserted that this would also be unacceptable
 to the Greek public. Minor accordingly recommends that
 the US make no further efforts at this time in Greece to
 strengthen Greek-Yugoslav ties.

CIA/S

(CIA Comment: CIA agrees that the Greek Govern-
 ment would find it politically dangerous to proceed with
 establishment of closer ties with Yugoslavia so long as the
 Yugoslav Government continues its public references to the
 status of the small Slav-speaking minority in Greek
 Macedonia.)

2. ITALY: Proposals to be made on Trieste--US Ambassador
 Dunn in Rome has learned that Italy will soon approach
 Yugoslavia with suggestions aimed at relieving current
 tensions regarding the Trieste issue and improving the
 atmosphere between the two countries. According to Dunn,
 the Italians will suggest: (a) the restoration of interzonal
 traffic and the return of seized interzonal vessels; (b) the

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cessation of repressive measures against Trieste Italians, including recruitment for forced labor; and (c) the protection of the property rights of Italians who have had to leave the Yugoslav zone of the Trieste territory. Dunn comments that the Italians would be willing to set aside the Trieste issue and attempt to settle other differences but only if satisfied that the gradual absorption of Zone B by Yugoslavia is halted. The Ambassador adds that Italian readiness to settle other outstanding Italian-Yugoslav problems will depend on the Yugoslav reactions to the forthcoming proposals, and expresses his conviction that Yugoslav rejection of the Italian approach would eventually cause Italy to bring the matter before an international forum.

(CIA Comment: The Yugoslavs would react favorably to the general idea of setting aside the Trieste issue temporarily but will reject the Italian allegation of Yugoslav repressive measures in Zone B. Yugoslavia is likely to counter with similar allegations regarding treatment of the Slovene minority under Italian jurisdiction and with charges that Zone A of the Trieste Territory is being absorbed by Italy.)

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GENERAL

- 1. UK pressing France to increase Bao Dai's authority--
US Embassy London reports that, according to a Foreign Office official, the UK is informing the French Government of its opinion that France has failed to take even immediately feasible steps toward increasing Bao Dai's international prestige. The French are being informed that failure to establish a separate ministry for Indo-China and to turn over the Saigon palace to Bao Dai has made it difficult for the UK to explain the French position to India and other Asian nations. The UK is adding that it has been hoping for a suitable occasion to announce the elevation of the UK Consulate General in Saigon to Legation status.

CIA/s

EUROPE

- 2. GERMANY: Adenauer's illness causes concern--US High Commissioner McCloy in Germany reports that Chancellor Adenauer's continued serious illness has created recurrent doubts among Germans and others as to the power of the Government to survive without serious results should Adenauer be incapacitated. McCloy comments that the fact that much top-priority government business is now at a standstill is a spectacular demonstration of the extent to which Adenauer has converted the Federal Government into a "one-man show".

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3. RUMANIA: Warning of break in relations proposed--
The US Legation in Bucharest, submitting its views concerning serious restriction on Legation communications occasioned by Rumania's recent refusal of visas for US diplomatic couriers, believes it likely that the Rumanian Government is determined to break relations but is doing so by means of "slow strangulation," in order to damage US prestige as much as possible in the process. The Legation suggests for consideration that the US warn Rumania implicitly that it must suspend relations unless the visa difficulties are cleared up. The Legation observes that if concessions are made, its position will be somewhat improved; if not, the US will at least be saved from a long period of "compounded humiliations".

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GENERAL

1. Embassy Moscow's views on Korean conflict--US Embassy Moscow, in assessing the implications of the present Korean conflict, expresses the opinion that the North Korean offensive against the Republic of Korea constitutes a clear-cut Soviet challenge to the United States which should be answered firmly and swiftly because it constitutes a direct threat to US leadership of the free world against Soviet-Communist imperialism. The Embassy points out that the defeat of the Republic of Korea would have grave and unfavorable repercussions for the US position in Japan, Southeast Asia, and in other areas as well, and expresses the view that the US is obligated to make clear to the world without delay that the US is prepared to assist the Republic of Korea maintain its independence by all means at US disposal, including military assistance and vigorous action in the UN Security Council. The Embassy believes that any delay on the part of the US "could suggest" to the USSR the possibility of precipitating with impunity immediate action against Indochina and other points along the boundary of the Soviet sphere. The Embassy also believes that the USSR probably calculated that the US will be inclined to accept "neutralization" of the Korean civil war which would lead to eventual victory by North Korea, thus expanding the Soviet empire without the use of Soviet military forces. The Embassy reiterates its belief that the USSR is not yet ready to risk full-scale war with the West, and comments that the present Korean situation thus offers the US an opportunity to show firmness and determination and, at the same time, to unmask important Soviet weaknesses to the eyes of the world and particularly in Asia, where popular ideas of Soviet power have been grossly exaggerated as a result of recent Soviet political and propaganda successes.

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(CIA Comment: CIA concurs in general with Embassy Moscow's estimate of Soviet intent in precipitating civil war in Korea, and further agrees that successful aggression in Korea will encourage the USSR to launch similar ventures elsewhere in the Far East. In sponsoring the aggression in Korea, the Kremlin probably calculated that no firm or effective countermeasures would be taken by the West. However, the Kremlin is not willing to undertake a global war at this time, and firm and effective countermeasures by the West would probably lead the Kremlin to permit a settlement to be negotiated between the North and South Koreans. If the venture in Korea is successful, the Kremlin will fully exploit the "western failure" in Korea in an effort to undermine the western position throughout the world. Effective action by the UN to control the Korean situation is possible only through military sanctions involving the immediate conclusion of "interim agreements" providing for armed contingents from member nations to enforce the UN cease fire order.)

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GENERAL

1. US to approach USSR on Korean invasion--The Department of State has instructed US Ambassador Kirk in Moscow to raise the question of the Korean invasion with Soviet Foreign Minister Vishinsky and to ask the USSR to use its influence to effect the withdrawal of the invading forces immediately. The Department hopes that such an approach will make it clear to the USSR that aggressive action by the Satellites involves Soviet prestige directly, thus forcing the Kremlin to be more cautious in pushing such tactics to extremes in the future. The Department also considers that prompt and explicit exposure in Western propaganda of Soviet responsibility for a clear-cut case of aggression should go far toward disrupting the increasingly effective Soviet "peace offensive."

S/TS

2. Dutch reaction to Korean invasion--Dutch Foreign Minister Stikker has expressed the opinion to US Ambassador Chapin in The Hague that if the US should "permit" South Korea to fall, "the consequences for all Asia, but particularly for Southeast Asia, would be absolutely disastrous," and the Western world could "write off" the whole area forever. Stikker added that the effect on Western Europe would be "lamentable." The Dutch Foreign Minister believes the action in Korea to be "one more Russian bluff," but a very serious one, and he is convinced the USSR does not want war and would back down if strong, immediate counteraction were taken. Stikker declared there was no time to wait for Security Council action and expressed the hope that the US would land troops. Stikker concluded his interview with the Ambassador by saying "all eyes are on America."

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3. Soviet troop movement against Yugoslavia reported--

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[redacted] a considerable number of troops are being moved through Rumania toward Bulgaria and Yugoslavia. [redacted], seven military trains composed of fifteen to twenty cars which are completely blacked-out are transporting tanks, artillery, and munitions to the south.

3.3(h)(2)

(CIA Comment: CIA believes that a buildup of Soviet military equipment and strategic transport facilities in the Balkans has been under way for some time. There is little evidence, however, that Soviet military personnel in the Balkans have been increased sufficiently to enable the USSR to undertake military action in the area at this time.)

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T O P S E C R E T

KOREA

- 1. Korean morale raised by Truman's announcement--US Ambassador Muccio reports from Suwon (about twenty miles south of Seoul) that the US decision to provide military support has greatly raised morale, and that the expected air support raises the hope that it may now be possible to rally the disintegrating South Korean Army and re-group for a stand along the south bank of the Han River.

CIA/CONF

SOVIET UNION

- 2. Soviet attitude toward Korean issue at the UN--US Representative Austin reports from the UN in New York that during a recent conversation with UN Secretary-General Lie and Soviet representative Malik, Malik repeatedly questioned the legality of the recent UN action on Korea. Malik argued that the UN decision on Korea was illegal because neither the USSR nor the "lawful representatives" of China participated in the Security Council decision. Later in the conversation, Malik remarked that he still intended to depart for Moscow the first week of July and he avoided making any estimate regarding the length of his absence.
- 3. East Germany compared to North Korea--The Berlin element of the US High Commission for Germany expresses the opinion that the Korean invasion adds to the evidence that the USSR is accelerating the time table for its revolutionary offensive in various areas in the world, including Germany. The Berlin element recommends a careful analysis of the whole pattern of Korean developments in recent years for clues to Soviet plans regarding

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Germany, because the "evident analogy" between North Korea and East Germany makes it plain that the Soviet plans for East Germany are evolving toward an eventual attempt to use the German Democratic Republic in the same manner as North Korea. The Berlin element believes that the Germans are keenly aware of the implications for their own country of the Korean situation, and that the manner in which the West deals with the Communist aggression in Korea will make a "strong impression" in Germany.

(CIA Comment: CIA believes that the Germans regard the Korean conflict as a test case of the US ability to deal effectively with a critical situation.)

- 4. No Soviet military preparations in Germany and Austria -- General Handy, Commander in Chief of US Forces in Europe, reports that there are no indications of aggressive Communist military action in Germany. Handy states that the bulk of the Soviet occupation armies seem to be engaged in normal maneuvers and that the German Democratic Republic has manifested no warlike intentions.

ARMY/S.
ARMY/S.

General Keyes, Commander of US forces in Austria, reports that there are no indications of a change in the present situation in Austria at this time.

(CIA Comment: No evidence is available indicating Soviet preparations for military operations in the West European theater, but Soviet military capabilities in Europe make it possible for the USSR to take aggressive action with a minimum of preparation or advance notice.)

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5. Soviet combined maneuvers in Balkans reported--US Embassy Ankara transmits a Turkish government report originating in the Turkish legation in Bulgaria that the Soviet Black Sea fleet is planning to hold maneuvers during the latter part of August which would involve a seaborne landing on the Turkish Black Sea Coast. According to source, there will also be maneuvers of land forces at approximately the same time in Bulgaria, Rumania, Hungary, and Czechoslovakia with hypothetical objectives to the West and South.

ARMY/S
CIA/S

(CIA Comment: The report of combined Soviet maneuvers in the Balkan-Turkish area probably forms part of a Soviet war of nerves against the West. The firm stand of the United States in Korea, however, will discourage such manifestations of Soviet pressure along the Soviet periphery.)

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KOREA

1. South Koreans disheartened--US Embassy Korea reports that the South Koreans and their Government are seriously dispirited by the course of hostilities, and particularly by the loss of Seoul. Pointing out that visible evidences of US assistance have been few thus far, the Embassy expresses the opinion that a very strong effort on the part of the US Air Force and Navy will be needed if the situation is to be stabilized and that the sight of US aircraft in action during the next few days will be necessary to maintain morale among South Korean troops engaged on the Han River line.

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2. YUGOSLAVIA: Attitude toward Korean situation--The US Delegation to the UN has been informed by Yugoslav Security Council representative Bebler that his government privately supports and understands the US action on Korea but could not publicly support the US resolution in the SC because of Yugoslavia's ideological war with the USSR. Bebler admitted the resolution "might prove to be in Yugoslavia's direct interest if Yugoslavia were attacked next." Bebler expressed the opinion that in order to keep the sympathy of Marxists in "Democratic People's" countries and the USSR, Yugoslavia must be extremely careful not to appear to be a creature of the West. Bebler remarked that he knew the US was not out to rule Yugoslavia or any other independent country and commented that the difficulty arose from the colonial or semi-fascist nature of several US-backed governments throughout the world.

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US Ambassador Allen reports from Belgrade that in an extensive conversation with Tito on the Yugoslav position regarding the Korean question, Tito stated that

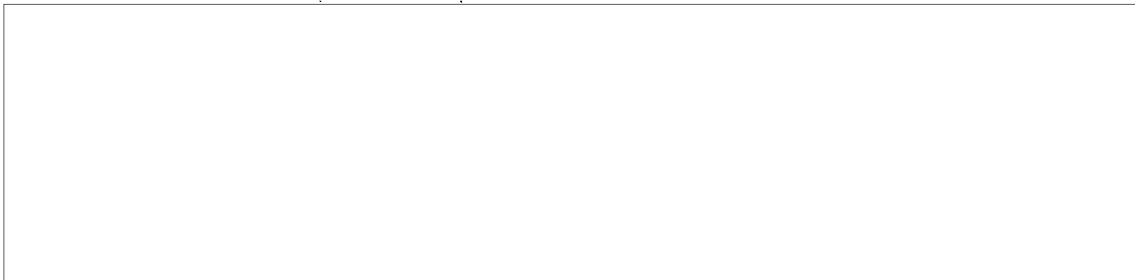
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his chief aim was to convince world opinion of Yugoslav independence from any bloc, while showing clearly his condemnation of aggression. In this connection, Tito said that he must keep constantly in mind that if the Cominform suddenly attacked Yugoslavia, Moscow would seek to justify the attack as a purely defensive measure. Tito implied that the Yugoslav Government would abide by any Security Council decisions taken in accord with the UN Charter and remarked that he did not expect the Korean situation or reported troop movements in the Balkans to interrupt his plans for departing shortly for his summer capital at Bled.



3.3(h)(2)

(CIA Comment: Recent reports of Soviet military activity in the Balkan area, including those regarding Soviet Black Sea naval maneuvers with a hypothetical landing on the Turkish Black Sea coast, appear to be part of a Soviet war-of-nerve in that area. Soviet sabre rattling will probably continue and may be intensified, but the strong US reaction to Soviet-inspired aggression in Korea will probably discourage the USSR from any Soviet-Satellite military aggression in the Balkans.)

3. INDOCHINA: French favor prompt attack on Viet Minh forces--
US Ambassador Bruce in Paris transmits the opinion of Pignon, French High Commissioner for Indochina, that the developments in Korea make imperative the immediate destruction

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of the Communist-led Viet Minh forces in Indochina. Pignon expressed confidence that the Viet Minh forces can be eliminated, but commented that the margin of success could be increased only if the French forces in Indochina receive prompt delivery of additional US aircraft. Pignon expressed the feeling that Bao Dai will return to Indochina after taking a badly needed rest at Vichy.

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KOREA

- 1. Government reported to be near panic--US Ambassador Muccio reports from the Southern Korean Government's provisional capital at Taejon that the situation in South Korea is rapidly deteriorating. Muccio expressed the opinion, after prolonged consultation with top Korean leaders, that he could "hold them in line a little longer" but that there was danger they might soon panic. Muccio strongly urges an all-out US effort before the "desperate" situation gets "out of hand."

S/TS

EUROPE

- 2. West Germans favorable toward Schuman Plan draft--US High Commissioner McCloy in Frankfurt has learned from a high official of the Federal Republic that the Germans were impressed with the presentation of the Schuman Plan made recently by French Economic Adviser Monnet and that the fundamentals of the Plan are acceptable to the Germans. The West German official said that despite indications of trouble with the Dutch and the possibility that Benelux would not go along with the Plan, the Germans were prepared to go ahead with the French and Italians if necessary. McCloy comments that Chancellor Adenauer is throwing all his authority behind the Plan, telling the industrialists that it has such tremendous political significance that they must conform.

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