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2 JAN 1951

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GENERAL

1. Analysis of Soviet note on CFM--In the view of US Embassy Moscow, the Soviet reply to the Western proposals regarding a Council of Foreign Ministers meeting is obviously designed to leave the general impression that the USSR is willing to engage in exploratory talks leading to an actual CFM. The note contains no indication of any change in the Soviet position that the question of demilitarization of Germany is the most important for CFM discussion and that the USSR considers the Prague declaration a proper basis for the discussion of German problems in general. According to the Embassy, the note implies that problems having world-wide and perhaps particularly Asiatic significance can only be appropriately considered if the fifth world power, China, is included in the CFM. The Embassy sees a further indication of Soviet willingness to broaden the field of discussion, perhaps to include the Austrian question and others of European significance, in the statement that remilitarization of Western Germany creates serious difficulties for those questions the CFM should consider. The Embassy interprets this statement to mean that the USSR may demand the discontinuance of German remilitarization as the price for settlement of these questions. The Embassy concludes that the wording of the note seems deliberately ambiguous and calculated less toward immediate propaganda gain than toward maintaining flexibility for propaganda successes during the course of the talks themselves.

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2. Soviet propaganda on German question--The US High Commission in Berlin reports that the Soviet-controlled press is continuing intensive propaganda to increase pressure for East-West German talks, with the immediate purpose of

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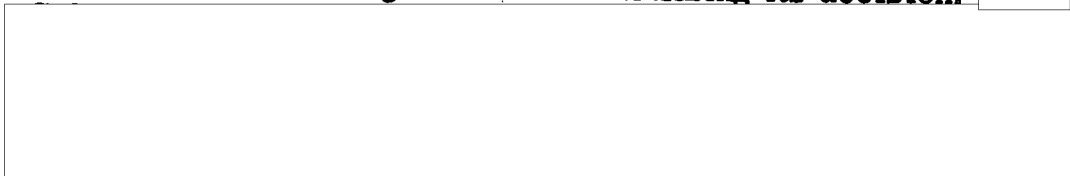
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influencing the course of an eventual four-power conference. The maximum Soviet aim, according to the High Commission, is apparently to have the East and West Germans reach an understanding acceptable to the Communists prior to a four-power conference, and the minimum aim is to build up an "unhappy public opinion" in Germany so as to limit the Western Powers' freedom of negotiation at the conference.

3. Indonesians reported ready to dissolve Dutch Union--US Ambassador Cochran in Djakarta reports that as a result of the failure to reach agreement with the Dutch on the transfer of sovereignty over Netherlands New Guinea, the Indonesian Cabinet has "practically decided" to denounce the Netherlands-Indonesian union and is only awaiting the return of the Indonesian delegate from The Hague before formalizing its decision. S/TS



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EUROPE

4. YUGOSLAVIA: Tito expresses foreign policy views--According to US Ambassador Allen, Marshal Tito recently told the British Military Attache, in a discussion of Yugoslavia's military requirements, that his object is to keep Yugoslavia neutral at least until the outbreak of the third World War. Declaring that in order to remain neutral he must act neutrally, Tito said he would give no provocation to Moscow and could not ask for arms from the West even if he wanted to. Tito is satisfied that his standing army is well-equipped, or would be "in the nearest future," and implied that Yugoslavia could fight alone except if invaded by the USSR. Tito said that in that event he would need help from the West. S/TS

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GENERAL

S/S

1. British views concerning a possible CFM meeting--US Embassy London, in an analysis of the probable British position at the proposed Council of Foreign Ministers meeting, expresses the view that the British will tend to concentrate on ways and means of checkmating Soviet propaganda moves rather than on positive proposals for the settlement of the German problem. The Embassy believes that the UK will remain flexible during preparatory tripartite talks, with a view to ensuring a common front on the part of the three Western Powers. According to the Embassy, British thinking about Germany has undergone a material change; instead of believing that British interests would best be served by the creation of a relatively weak, demilitarized Germany, the UK now desires the formation of a strong anti-Communist German state that would serve to bulwark Western defense. Although recognizing that it would be impossible to reject an apparently sincere Soviet offer to meet Western conditions for the reunification of Germany, the British believe the West should not agree to suspend German rearmament while reunification was being carried out and should oppose the demilitarization of Germany. The Embassy notes that the Foreign Office is keenly aware of the "divisive aspirations" of the USSR and is fully appreciative of the opportunities that a four-power conference would offer for the use of Soviet divisive tactics. The Foreign Office is particularly concerned about the French tendency to "rise to Soviet bait."

2. Comment on Soviet reply to Western Powers--US Embassy Paris, in commenting on the Soviet reply to the counter-proposal of the three Western Powers for a four-power conference, takes the view that the essential point is the

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Soviet refusal to consider widening the agenda, as the West proposed, in order to take in other issues besides Germany. The Embassy observes that although the Soviet note obviously seeks to exploit any differences that exist between the US, French, and British positions, particularly in regard to general policy on German rearmament, such differences ought to be considered secondary to the main consideration: namely, the Soviet refusal to initiate exploratory conversations concerning the establishment of a mutually acceptable basis for a conference.

3. Reaction of UN delegations to Chinese fighting--The US delegation to the UN reports that renewed evidences of Chinese Communist hostilities have stiffened the determination and will to resist of the Latin American delegations and, to a lesser degree, the Western European delegations. The US delegation adds that the British and French are still concerned at the prospect of large-scale war in Asia and are thus still anxious to attempt negotiations, which they distinguish sharply from appeasement. The Asian and Arab states share this concern, fearing that a UN finding of Chinese Communist aggression may precipitate not only a large-scale Asian war but perhaps general war.

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FAR EAST

4. INDOCHINA: Summary analysis of situation--In a year-end analysis of the situation in Indochina, US Legation Saigon expresses the view that the battle for Indochina and possibly for all of Southeast Asia is being fought in Tonkin at this moment. The Legation believes that the entire north, except

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the shrinking Hanoi-Haiphong beachhead, must be written off for the time being and considers it possible that Hanoi itself will be lost or abandoned without mass intervention by the Chinese Communists. The Legation adds, however, that the "assumption is now unavoidable that sooner or later, and probably soon," the Chinese Communists will invade Indochina with organized units. The Legation notes that although there has been a marked improvement in relations between the French and the Vietnamese, the Bao Dai Government has thus far failed to display any real dynamism and has not yet won the confidence of the public. The Legation also notes that Indochina is further weakened by the lack of unity among Indochina's neighbors, as well as by divergencies in the Far Eastern policies of the major powers. Regarding the economic situation, the Legation concludes that it is "no worse" than it has been for the past 18 months.

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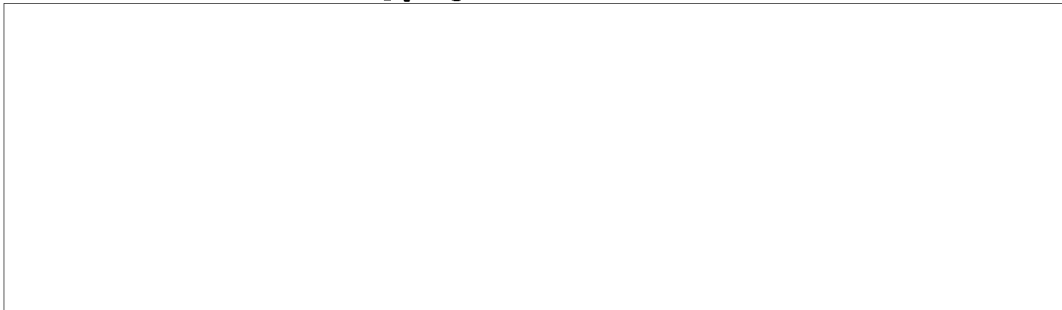
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EUROPE

1. Adenauer's views on Soviet policy--Chancellor Adenauer has expressed to US High Commissioner McCloy his concern that Soviet acceptance of a CFM might mean postponement of any decisions regarding the future of Germany and its contribution to Western defense. Adenauer doubts that the USSR, either in a forthcoming CFM meeting or in East-West German talks, would ever agree to Western terms for free elections and free movement of political parties; he believes the USSR would attempt to preserve the present governmental structures in East and West Germany, placing both under an all-German governing council. Adenauer stated that any such political structure would of course be unacceptable to West Germany, because it would imply equality between East and West Germany and lead to renewed Communist pressure from inside. He said the USSR would probably also insist upon complete demilitarization of Germany and propose the withdrawal of all occupying forces.

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3.3(h)(2)

2. Analysis of French opinion on Europe's defense--US Embassy Paris finds "encouraging" the trend of French opinion on Western defense despite the persistence of many major elements of weakness and the vulnerability

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of the French people to Communist propaganda. The Embassy believes that the French are increasingly convinced of the determination of the US, UK, and other NATO members to join in creating effective defensive strength on the continent. The Embassy also notes a growing belief that use by the Soviet Union of its military superiority may be prevented "by other than purely atomic factors." The Embassy finds heartening the limited possibilities of direct action on the part of the French Communists when compared with their capabilities two or three years ago. Nevertheless, the Embassy warns of the continued existence of apathy and defeatism in influential circles and calls attention to the susceptibility of the French to various plausible sounding proposals for delaying a major crisis with the Soviet Union.

3. Belgian attitude toward NATO--US Embassy Brussels concludes an analysis of Belgian willingness and capacity to contribute to Western European defense with the estimate that, on the whole, Belgium will probably meet its commitments to NATO in 1951. The Embassy is inclined to believe that despite the "undeniable" weakness of the present government, the Parliament after considerable wrangling will reluctantly vote the necessary defense budget and an extension of military service. On the negative side the Embassy cites, besides the weakness of the government, lack of confidence because of the country's exposed military position, precautionary measures of the wealthy to "cut and run" in case of invasion, and the feeling of the man in the street, born of centuries of experience with invaders and of ignorance of Soviet methods, that he can outlast and outwit even Russians. The Embassy notes, however, that these negative factors have produced a profound awareness that Belgian independence can be maintained only by effective union with other countries and by an actual state of collective security. Consequently, the Belgians give Western Europe an even chance of surviving if it pools its military resources with those of the US to create a balance of power which will insure peace. CIA/S*

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4. Prospects for Italo-Yugoslav agreement on Trieste-- S/S
 US Embassy Rome expresses the view that the prospect at present of arriving at a solution of the problem of Trieste acceptable to both Italy and Yugoslavia is not sufficient to justify urging the Italian and Yugoslav governments to initiate secret negotiations on Trieste. The Embassy believes that neither government, under present national and international circumstances, would be prepared to agree voluntarily to a settlement based on ethnic considerations. The Embassy concludes that an unsuccessful attempt to reach a settlement might very well embitter Italian-Yugoslav relations to a degree that would cancel out the good progress thus far made in rapprochement.

FAR EAST

5. British views on Asian security-- S/S
 A Foreign Office official has informed US Embassy London that the UK has "no intention" of broaching the question of Southeast Asian security at the forthcoming meeting of Commonwealth Prime Ministers, although it will discuss the question if it is raised by another Commonwealth member. The British official felt that any attempt to bring about a community of political interest in Southeast Asia would have to begin with steps toward economic stability rather than military security, and it was for this reason that the UK had placed so much stress and hope on the Colombo Plan. This plan was serving the "incalculable service of bringing Commonwealth nations together and forging a common economic bond," which, if developed along anticipated lines, would logically lead to a common military defense program. The official reiterated his hope that the US would participate in the Colombo Plan in some practical form.

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EUROPE

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Reported Communist intimidation program--US High Commissioner McCloy transmits a report [Redacted] of a conference, held in East Germany and attended by members of West German Communist-controlled organizations, to outline a program to exploit the Grotewohl proposal for the reunification of Germany. [Redacted] it was decided at the meeting that if Adenauer refuses Grotewohl's offer, the program to be launched will include: (a) proclamation of a national emergency for all of Germany, in an effort to provide the necessary authority to shift from words to "open action"; (b) development among the West Germans of a psychology of general resistance against their government; and (c) trials by Peoples Courts of those Germans "in favor of war," presumably as indicated by refusal to subscribe to the Stockholm Peace Appeal, in accordance with the "law for the protection of peace," recently promulgated by the East German Government to intimidate West Germans against rearming. McCloy comments that a

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considerable degree of credence is given to this report because it appears to be a logical extension of the current Communist policy of alternating intimidation and moral bribery.

NEAR EAST-AFRICA

- 2. **IRAN: Important political changes expected--US Embassy Tehran transmits conflicting information concerning the present confused political situation in Iran. The British Ambassador has told the Embassy "he has come to believe" that the Shah, on the recommendation of Prime Minister Razmara, will shortly dissolve the Parliament and call for new elections.**

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[Redacted]

The Embassy concludes, on the basis of these reports and numerous demands for changes in the government, that in any case, the position of Razmara is most certainly not improving and that significant political developments may be in the offing.

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[Redacted]

THE AMERICAS

- 3. **BRAZIL: Lively interest felt in strategic materials--US Embassy Rio de Janeiro expresses its belief that the administration of President-elect Vargas will exhibit "lively interest" in the**

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US stockpiling and strategic material program. The Embassy reports that Brazil is vitally interested in certain materials and that it will establish a definite strategic materials program of its own, which will doubtless be used as a bargaining point if the US presses for an assurance of continued and expanded shipments of such materials. The Embassy indicates that Brazil's concern over possible future difficulties in the acquisition of essential materials from the US has been conspicuous in both editorial and official comment.

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GENERAL

1. Vulnerability of Near East to Soviet aggression--US Em- s/TS
bassy Moscow, in considering the possibility of including
Israel in Western plans for Near Eastern defense, points
to the danger that with major attention focused on the Far
East and Europe, the USSR may be planning to disturb the
"relatively quiet and neglected Near Eastern garden this
year." The Embassy believes that such a Soviet move
 might range from stepping up internal subversive programs
 and creating mass unrest to armed revolts supported by
 Kurdish and Azerbaijan "volunteers" from the Soviet Union.
 It is considered further possible that, if the USSR is deter-
 mined to precipitate World War III this year, major military
 moves elsewhere in the world might be accompanied by out-
 right invasion of certain Near Eastern areas, primarily with
 the aim of denying to the West the strategic and petroleum
 assets of the region. The Embassy points out in this con-
 nection that it is questionable whether the USSR would under-
 take a large-scale war of sustained duration without attempting
 to gain access to Near Eastern oil. The Embassy believes that
 in any case, regardless of the intentions of the USSR, the pre-
 sent obviously weak and defenseless condition of the Near
 Eastern countries constitutes an open invitation to the Kremlin
 to indulge in direct or indirect aggression in that area.

Concerning possible Western defense plans, the Em-
 bassy suggests that the recent show of Soviet friendliness
 toward Near Eastern countries may well be the prelude to
 surprise expansionist moves in the area and that therefore
 the time has come to establish a working relationship between
 NATO and the non-Communist Near Eastern countries. The
 Embassy considers that the Israeli bid for US military support
 provides some leverage for bringing about some degree of
 rapprochement between Israel and the Arab States, a develop-
 ment which would permit positive steps toward a Near Eastern
 regional collective security arrangement.

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3. Dutch Socialists favor sovereignty transfer of New Guinea--
According to US Embassy The Hague, Socialist Party leader Van der Goes declared at a recent press conference that his party favors the transfer of sovereignty over Netherlands New Guinea to the Republic of Indonesia, with the provisions that:
(a) Netherlands trusteeship is maintained for 30 years; and
(b) proper financial arrangements are made between the Netherlands and Indonesia and law and order is guaranteed in New Guinea. Van der Goes said the Socialist Party would urge the resumption of negotiations with Indonesia along these lines and that the main thing was that a solution should be found because cooperation with Indonesia was more important than ultimate Netherlands sovereignty over New Guinea. The Embassy has

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learned that although Van der Goes' statement was not cleared with the party executive board, it probably represents the view of the majority of Socialist Party deputies in the Second Chamber and the party executive will probably adopt this statement as the official party view with few, if any, alterations.

Meanwhile, US Ambassador Cochran in Djakarta indicates that the Indonesian Government will make known its official position on the Netherlands New Guinea problem on 8 January. Indonesian officials expressed the hope to Cochran that the Dutch will react promptly to the Indonesian statement in order to prevent any trend toward protest meetings against the Netherlands, sabotage, and similar disorders.

EUROPE

4. YUGOSLAVIA: Renewed Trieste negotiations held desirable-- US Embassy Belgrade expresses its belief that the US, UK, and French governments should let the Italian and Yugoslav governments know in the near future that the Western countries would welcome a mutually acceptable solution to the Trieste problem. The Embassy believes it dubious whether Italy and Yugoslavia could reach an early agreement on their own and therefore recommends that the three Western governments make a joint approach, stressing the desirability of an early settlement, and then be prepared to enter into the territorial aspects of the problem if Italy and Yugoslavia reach an impasse.

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NEAR EAST-AFRICA

5. IRAN: British officially backing Razmara-- US Embassy London reports the view of the British Foreign Office that Iranian Prime Minister Razmara should not be replaced and that Foreign

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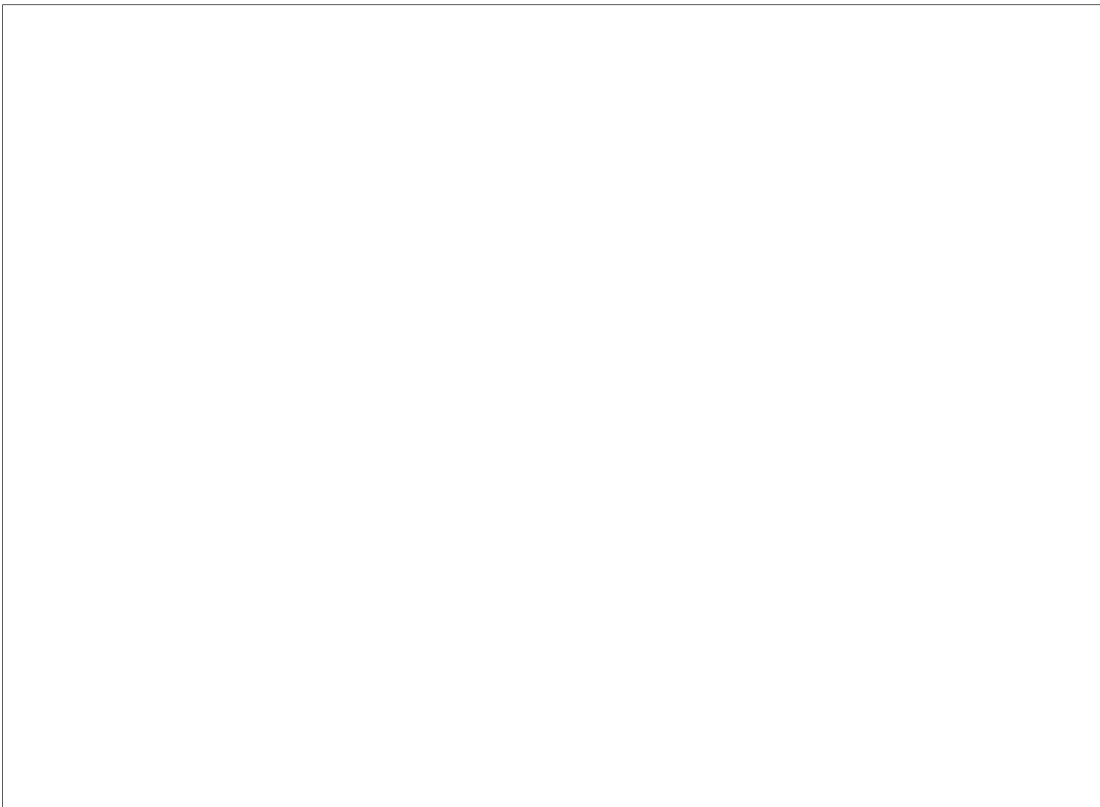
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Secretary Bevin would not permit any effort to dismiss him. A Foreign Office source also told the Embassy that although the Anglo-Iranian Oil Company has been disappointed by Razmara's failure to obtain parliamentary ratification of a revised contract with the company and has expressed doubt of Razmara's reliability, it would be going "much too far" to attribute to the company a desire to bring about his downfall. The Anglo-Iranian Oil Company has reportedly been given a "forcible" statement of the Foreign Office position regarding Razmara.

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GENERAL

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1. UN deliberations on Chinese aggression--The US delegation at the UN reports that most UN delegations are still in favor of giving Peiping a further chance at a peaceful settlement in Korea. There is increasing sentiment in favor of offering a new cease-fire proposal before proceeding with a resolution condemning the Chinese Communists for aggression and calling for collective measures by the UN. According to the UN delegation, most of the Latin American delegations are more willing than others to proceed with stronger action now, while some British Commonwealth and Western European delegations and a few of the Arab group are moving towards a willingness to condemn Communist China if it again rejects a cease-fire proposal.

EUROPE

- s/s
2. TRIESTE: Views on Italo-Yugoslav agreement--US Political Adviser Unger in Trieste, in discussing the possibility of an Italo-Yugoslav agreement on the disposition of the Territory, expresses the view that military factors are still the key to any solution of the problem. According to Unger, the basic decision to be made is whether continued US-UK control of Trieste and the presence of Allied troops there outweigh the desirability of regularizing Italo-Yugoslav relations, removing a potential sore point, and relieving the US and UK of commitments there. Unger has the impression that neither Italy nor Yugoslavia wishes to alter the status quo, since both find the presence of Allied troops in Trieste advantageous, particularly in the face of the threat of war.

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3. **INDOCHINA: Bao Dai seen lacking determination--US Minister Heath in Saigon reports he was "more than usually" disappointed by his last conversation with Vietnam Emperor Bao Dai; although Bao Dai expressed intelligent understanding concerning the measures needed to strengthen his government, he gave no evidence of urgent determination and leadership to accomplish them. Heath acknowledges that Bao Dai is undoubtedly working on the formation of his army and consulting with a great many people, but he states that Bao Dai has no definite plan for coping with the deteriorating situation. Heath also noted that Bao Dai's interest and feeling for the settled parts of Vietnam is "quite distinct" from his attitude toward his own crown territories, in particular those in the southern high plateau. Heath brought away from his interview the "distinct impression" that Bao Dai is "toying" with the idea, in case the Viet Minh (with or without Chinese Communist support) takes over the arable regions of Vietnam, of continuing resistance in the southern plateau with tribesmen and his special mountain division.**

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EUROPE

1. GERMANY: Schumacher's views on relations with East--
 German Socialist leader Schumacher has expressed to the
 US High Commission in Bonn his great satisfaction with the
 unanimous decision of the Foreign Affairs Committee of the
 Bundestag to recommend that Chancellor Adenauer reply
 indirectly to the Grotewohl invitation to discuss formation
 of an all-German constituent council by simply reiterating
 in a public declaration the well-known position of the Federal
 Republic concerning German unification. Schumacher de-
 clared it was completely senseless even to consider any
 indirect or direct negotiations with the East German Govern-
 ment as long as the "real bosses of the Soviet Zone sit in
 the Kremlin and are not ready to permit German unity based
 on democratic principles." Schumacher is similarly pessi-
 mistic of the results of a CFM meeting. Although he believes
 the Allies must undertake such a conference, in order to
 counteract Soviet propaganda and to learn more about Soviet
 aims and intentions, Schumacher characterized the Soviet
 proposals for the CFM as nothing but an attempt to use all
 available propaganda means to increase Western confusion
 and insecurity.

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NEAR EAST-AFRICA

2. ISRAEL: Reported trend toward alignment with West--
 In a preliminary appraisal of Israel's offer to produce arms
 for Western defense, US Embassy Tel Aviv attributes the
 offer mainly to the conviction of top Israeli leaders and the
 informed public that Israel cannot hope to emerge from a
 third world war as an independent national state unless

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firmly allied as an active participant with the Western Powers. The Embassy estimates that public opinion is now awakened to the danger that by remaining neutral during a war Israel may find itself cut off from the West, upon which it is dependent. The Embassy believes that the bulk of the population is now probably ready to support a complete break with neutrality, if such a break is linked to a political and military alliance with the West, and that the government will have little difficulty controlling opposition to open alignment with the West by extreme leftist elements. The Embassy offers a "safe guess" that outright rejection of Israel's offer by both the US and UK would weaken the position of Western spokesmen in Israel and encourage those who advocate salvation through "increasingly uneasy" neutrality.

FAR EAST

3. KOREA: Civil leadership deteriorating--US Ambassador Muccio in Pusan, in reporting a progressive weakening of South Korean morale and spirit, both civilian and military, expresses great concern over the decline in civil leadership. Muccio states that President Rhee is becoming less effective, and he considers the prospect for other official leadership not promising as a result of: (a) the removal by the Communists of large numbers of potential leaders; (b) the disintegration of Korean national life during the war; and (c) the absence of hundreds of Koreans earlier sent to the US for specialized training.

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GENERAL

1. Current Arab attitude toward supporting US in UN--The Syrian delegate to the UN, in conversation with the US delegation, has declared that if the US would give arms and loans to the Arab states, the US would find them much more ready to support the US proposal to condemn Chinese Communist aggression. The Syrian delegate attributed Arab hesitancy to support the US in the UN to the US policy of supporting and strengthening Israel against the Arabs and to Arab weakness in the face of possible Soviet aggression. The Syrian emphasized that the Arab states are in an exposed position; they lack arms and are reluctant to rely heavily on the US because most available US forces are tied down in Korea. The Egyptian delegate, in a separate conversation with the US delegation, elaborated on Arab fear of Soviet aggression, declaring that the Arab states will insist on being adequately armed and prepared before assuming a provocative attitude in the UN that may lead to war with the Soviet Union. In reply to a question whether the UN could survive a failure to charge the Chinese Communists with aggression, the Egyptian delegate observed that "some countries" might quite possibly place their national interests above the existence even of the UN.

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2. Indian and British views on Chinese action in Tibet--Indian Foreign Secretary Menon has informed US Ambassador Henderson that the Indian Government has "definitely decided" to take no UN action concerning Tibet which might result in lessening Indian influence with Communist China. Menon said that Tibet is lost anyway and it would be "senseless" for India to disturb its relations with Communist China

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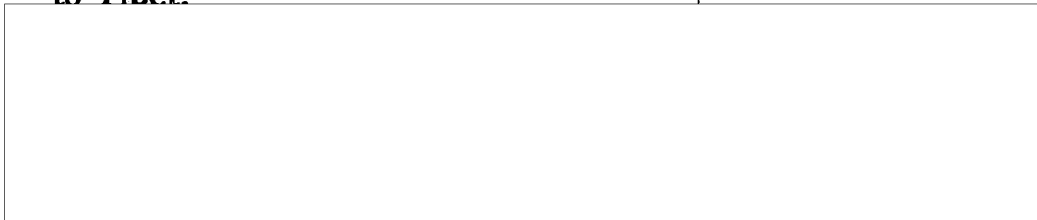
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by raising this relatively "insignificant" matter in the UN. According to Menon's latest information from the Indian representative in Lhasa (dated 24 December), the spirit of resistance in the city seems dead following the departure of the Dalai Lama and the inhabitants are hopelessly awaiting the arrival of the Chinese Communists. Menon added that for this reason India has suspended further arms shipments to Tibet.



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3. British report concerning Netherlands New Guinea impasse-- According to information available to the British Foreign Office, the Indonesian Government is under strong political pressure, as a result of the impasse over the transfer of sovereignty over Netherlands New Guinea, to denounce the Netherlands-Indonesian union immediately. The Indonesians are insisting that the Dutch must take the initiative if they wish to keep the union alive; Indonesia cannot do so because Netherlands New Guinea rightfully belongs to Indonesia and any concession by Indonesia would be interpreted by the Dutch as a sign of weakness. The British are worried over the consequences in Malaya if a Dutch-Indonesian rift develops and Indonesia becomes hostile to the West. The British point out that the Dutch-Indonesian impasse has already provided grist for Soviet propaganda and has given new impetus to the activity of the Chinese Communist Ambassador in Djakarta.

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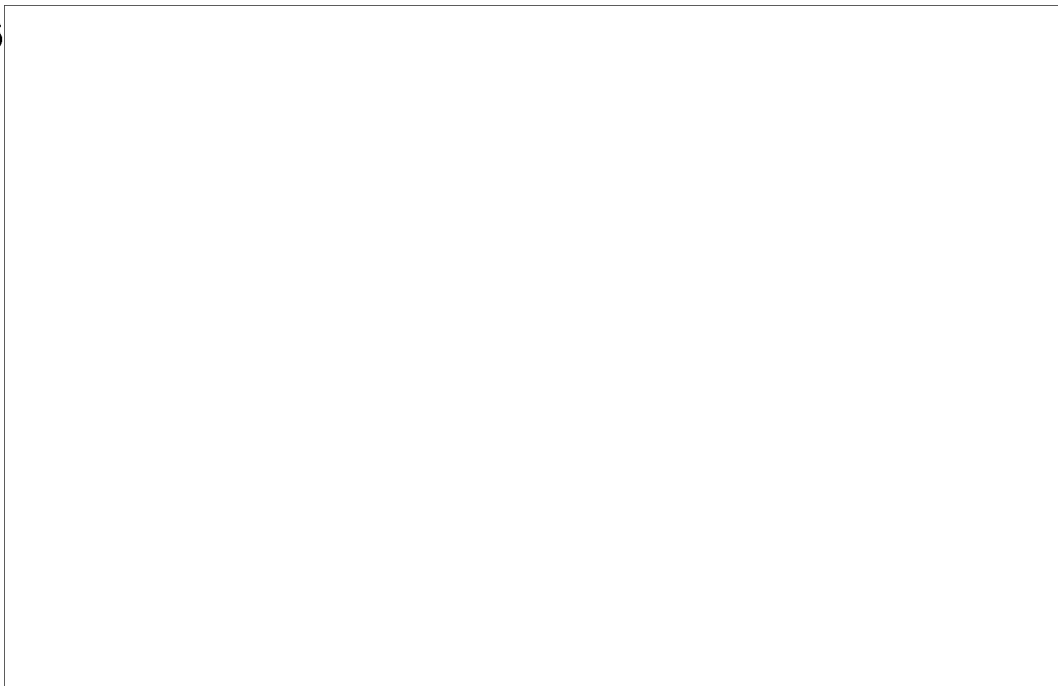
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- 4. **IRAN: Serious concern felt over delay in US bank loan--**
US Ambassador Grady reports that Prime Minister Razmara
is seriously considering withdrawing Iran's application for an
Export-Import Bank loan because of his "extreme exaspera-
tion" over the excessively detailed commitments required
of Iran by the Bank. Grady urges that immediate action be
taken to make the loan available on the simplest possible
basis. Grady emphasizes that Iran is in a serious crisis
and adds, "we are in danger of a tragic failure here."

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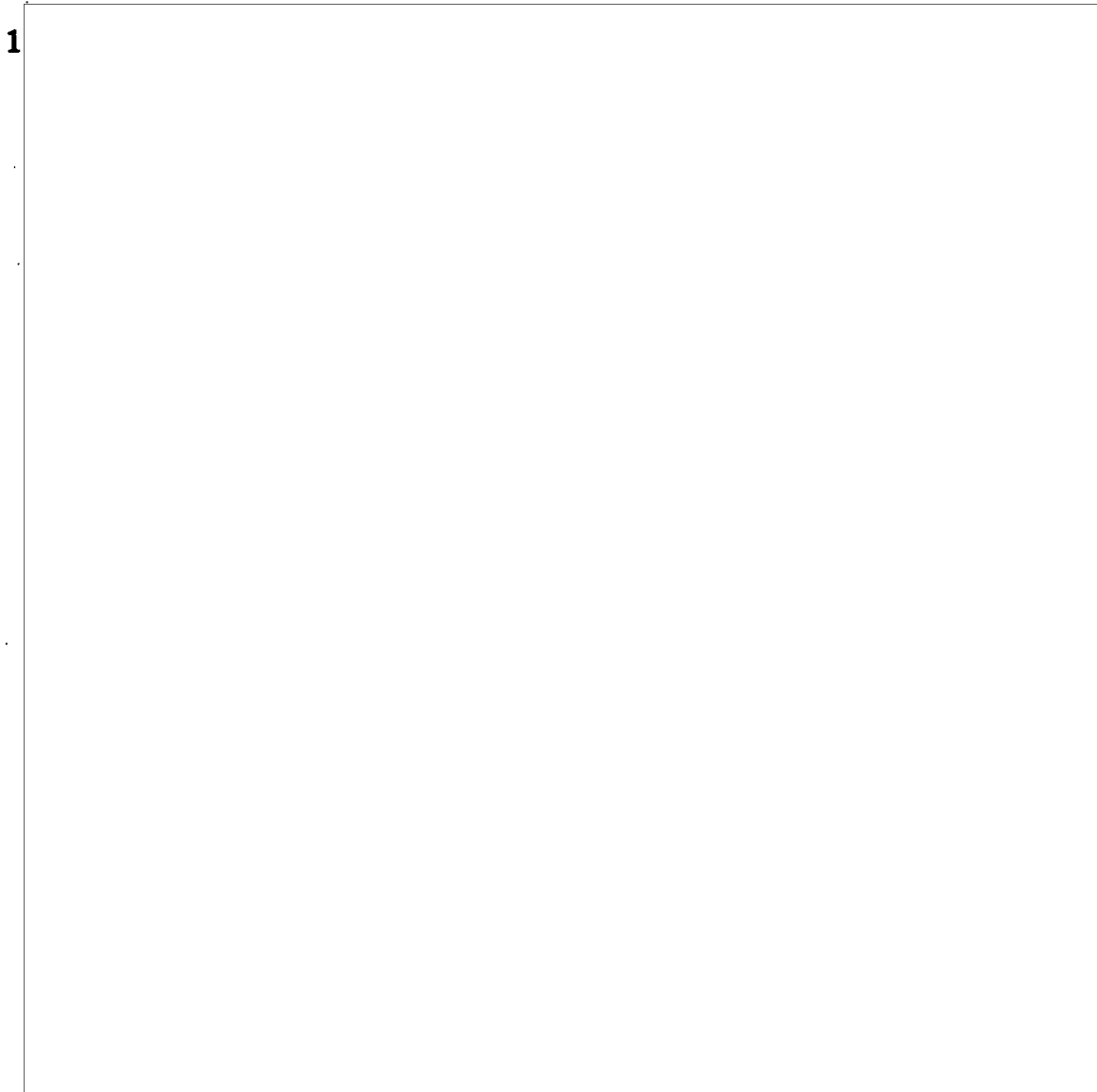
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2. **POLAND:** Aggressive emphasis on "strategic" value of coal-- US Embassy Warsaw indicates that since the intensification of Western European defense preparations, Poland appears to have become more aggressive in demanding "war potential" material from the West in return for coal. As evidence the Embassy cites the recent Polish trade negotiations and agreements with the Scandinavian countries as well as the strong pressure being brought on the Netherlands through the cessation of Polish coal deliveries. One Polish negotiator reportedly commented, "Coal is our strategic commodity and we want strategic commodities in return." The Embassy adds that Poland has raised coal prices to the level of US-delivered coal prices.

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3. **CHINA:** Estimate of Communist intentions --US Embassy The Hague has learned that the Dutch Charge in Peiping recently reported to his government that the Chinese Communists were so carried away with Chinese "volunteer" successes in Korea that they would accept no concessions other than complete capitulation to their demands. The Dutch Charge also said the Chinese Communists are now in so exalted a state of mind that they think almost anything is possible for them to achieve.
4. **INDOCHINA:** De Lattre's measures judged effective--US Legation Saigon considers that French High Commissioner de Lattre's "strenuous efforts to take hold of the situation," which at first appeared swashbuckling and unrealistic, have definitely had a salutary effect on the morale of all troops in Indochina. De Lattre himself declares that he is no longer concerned over the renewal of the Viet Minh offensive and

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does not expect the French to lose an inch of ground. He has informed the Legation that he is postponing his projected trip to Paris until after the middle of February, in order to be on hand during the period of possible Viet Minh attacks, and that in view of the necessity of rapidly building up the metropolitan army, he has decided not to ask for heavy reinforcements from France. De Lattre and Bao Dai's military advisers maintain that they do not expect a "Chinese invasion,"

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EUROPE

1. **UNITED KINGDOM: British thinking on German problem--**
According to US Embassy London, several

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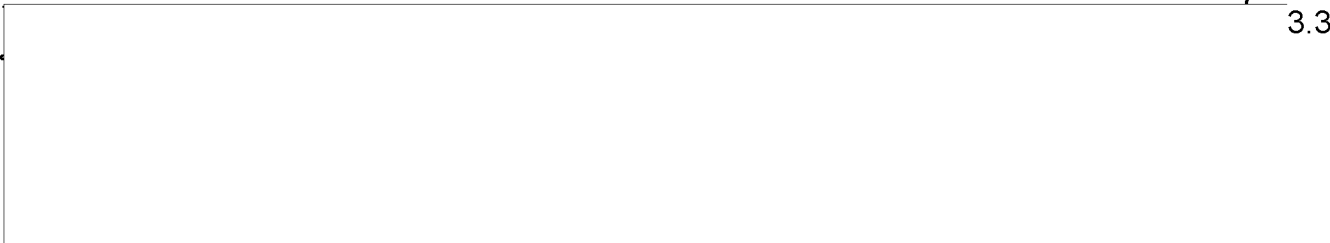
[redacted] members of both the Labor and Conservative parties have recently expressed their belief that the USSR is gravely concerned over German rearmament and would "undoubtedly be willing" to make substantial concessions to block or postpone the rearmament of Germany. These members therefore consider that the West would be in a strong bargaining position at a Council of Foreign Ministers meeting.

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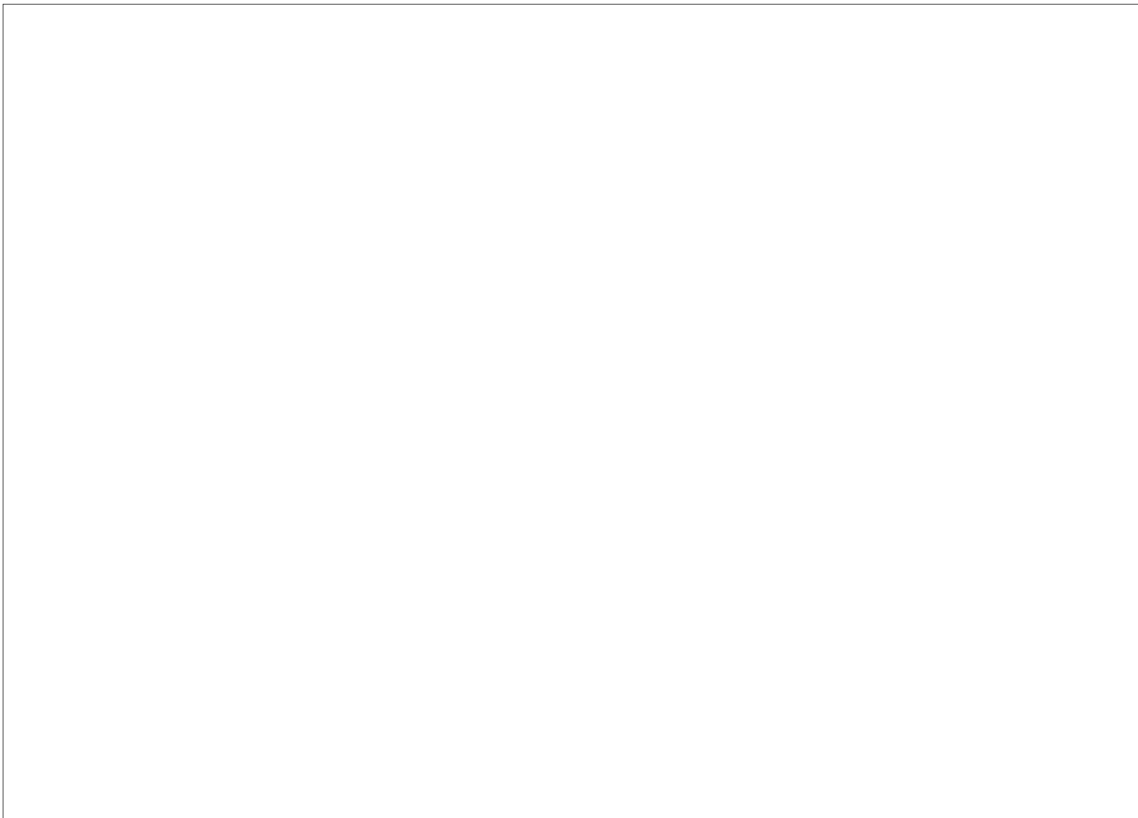
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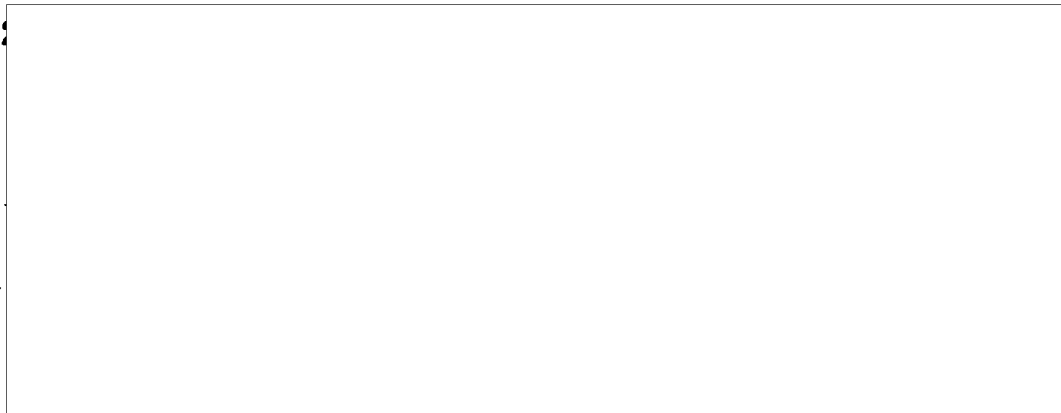
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- 1. UN sentiment regarding action against China--The US delegation at the UN, in an assessment of reaction in the UN to the US proposal for condemning the Chinese Communists as aggressors in Korea, reports that the US proposal has already been approved in principle by most Latin American nations and by several other states. The delegation adds that the Commonwealth countries, most of the Asian-Arab group, and several Western European nations remain unconvinced of the usefulness or desirability of condemning aggression or imposing sanctions against China on the grounds either that UN members lack the means to follow through effectively or that the proposed measures will not hurt the war-making ability of the Chinese Communists nor deflect their aggressive intentions. Many delegates feel that condemnatory action would provoke the Chinese Communists to new aggressive moves, or at least cement their dependence on Moscow. The delegation notes, however, that US acquiescence in the intermediate step of adopting the cease-fire group's supplemental report should help win support for the condemnatory resolution.



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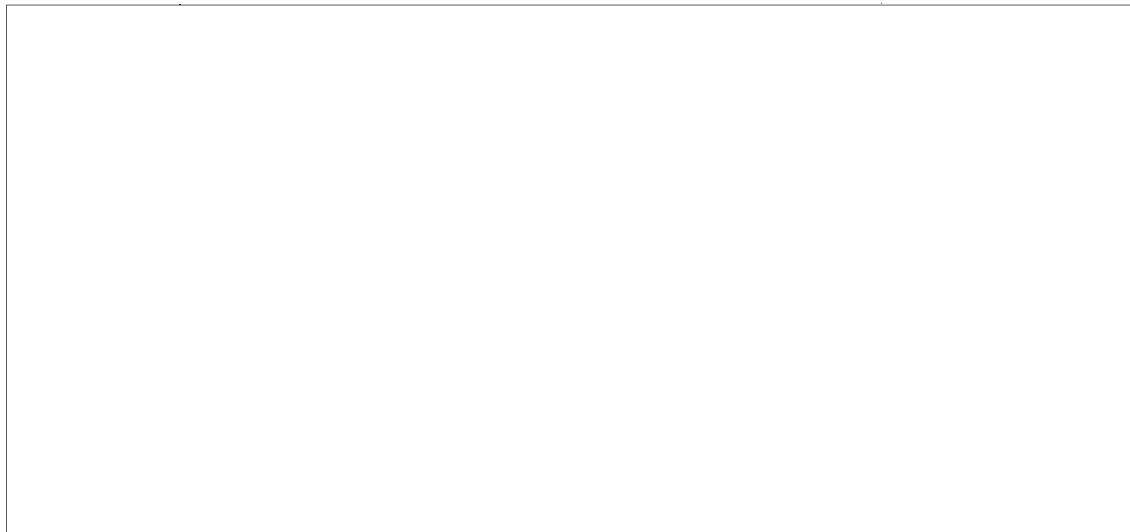
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3. **BURMA: Pro-US sentiment increasing--US Embassy Rangoon estimates that anti-Communist sentiment in Burma is stronger than ever before, despite discouragement over UN military reverses in Korea and Commonwealth talks of appeasement and compromise. According to the Embassy, the "softening" British stand in the Far East has led the Burmese to look to the US as their only source of assistance to meet aggression. The Embassy cites as the most important factors preventing all-out Burmese cooperation with the West: (a) internal military weakness; (b) fear that the US is not yet prepared for all-out war; and (c) a desire to prevent Burma's becoming a second Korea.**

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GENERAL

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1. Possible Soviet concessions on Germany discounted--The US High Commission in Berlin regards "with suspicion" the view that the USSR, in order to prevent the rearmament of Western Germany, is seriously considering substantial concessions at a Conference of Foreign Ministers meeting. The Commission points out that truly representative elections in East Germany and the disbanding of East German para-military forces would destroy the Soviet zone Communist regime and undermine Soviet prestige in the Satellites. The Commission does not believe the USSR considers its position so weak as to justify such a retreat. The Commission also expresses the view that the recently intensified communization and militarization of East Germany is "out of harmony" with rumors that the USSR intends to allow Germany to be unified and neutralized.

2. Nehru's views on Asian security--According to US Embassy London, the question of South and Southeast Asian security arrangements was not discussed at the recent conference of Commonwealth Prime Ministers except in connection with the Japanese peace treaty. Indian Prime Minister Nehru expressed the view that rearmament of Japan would be "useless" because such a step would focus Soviet suspicion on Japan and military bases in Japan would be primary targets for Soviet air attacks. Nehru pointed out, by way of example, that Burma was much better off in its present relatively disarmed status than it would be if any group of neighboring powers attempted to guarantee Burmese security. The Embassy comments that Nehru's remarks have strengthened the view of the British Foreign Office that there would be little point in encouraging an Asian regional defense arrangement without the sympathetic participation of India.

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3. French views on Schuman Plan talks--According to US Embassy Paris, the French Government is now determined to conclude the Schuman Plan conference at the session beginning 15 January. The Foreign Office has informed the other participating governments that it would be a "blow to the hopes of the free world" in the Schuman Plan if the conference adjourned again without initialing a treaty and that the French expect to "push through to a finish" at the 15 January session.

NEAR EAST-AFRICA

4. IRAN: Probable rejection of US bank loan--Prime Minister Razmara has told US Ambassador Grady that it is now impossible to submit the proposed Export-Import Bank loan agreement to the Majlis. Razmara urges that the matter of securing an Export-Import Bank loan be dropped rather than subject his government and the US to the humiliation of having the agreement rejected by the Majlis. Razmara recommends that a loan be made, as he had originally recommended, direct to the Seven Year Plan Organization, as this would not require approval by the Majlis. Grady points out that the difficulty regarding the Export-Import loan lies in the interminable delays which have occurred; he reiterates that the situation in Iran is serious and recommends that the contemplated grant-in-aid to Iran be re-examined.

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EUROPE

1. Estimated Soviet position regarding Germany--In an estimate of the position the USSR may adopt on Germany at a Conference of Foreign Ministers meeting, US Embassy Moscow expresses the view that the USSR, in order to achieve its primary objective of slowing down or even suspending the rearmament of Western Europe, may make greater concessions than would be apparent from the Prague declaration. The Embassy also believes the Kremlin intends to make the fullest use of another CFM meeting for propaganda purposes and will therefore present its case in a way which will make Western rejection "unpalatable and possibly unpopular." The Embassy believes it possible that the USSR may overestimate Western desire for an agreement on Germany and may be willing to agree to German unification on the basis of: (a) the establishment of a German Constituent Assembly drawn from present East and West German parliaments; (b) creation by that Assembly of an all-German government in which the Communists would be represented; (c) negotiation of a peace treaty with the new German government; and (d) early withdrawal of occupation troops. The Embassy points out that such an offer would appear to represent Soviet concessions but would in fact not run counter to basic Soviet aims. Withdrawal of occupation troops would be more disadvantageous to the West than to the USSR; moreover, the German Communists would find themselves one of the strongest political parties and in a position to take advantage of factional differences between the democratic parties. The Kremlin may estimate that under such conditions it could prolong the neutralization of Germany for an indefinite period and work towards the transformation of Germany into another Satellite.

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2. Soviet-Chinese relationship regarding Korea--In an analysis of Soviet and Chinese Communist motives in accepting the grave risks of war implicit in the decision to expel all UN forces from Korea, US Embassy Moscow expresses the view that following the Inchon landing, the USSR was faced with its first loss of territory since the Tito defection, a loss which was particularly unpalatable to the Kremlin because it stood to lose much prestige in the Communist world generally and in Asia particularly. The Embassy considers it reasonable to assume that Communist China, before engaging in combat with US forces in Korea, was able to obtain definite and substantial commitments from the USSR. The Embassy believes the USSR may have agreed to furnish Communist China with military supplies to replace losses suffered in the Korean campaign, provide large scale air support in the event of UN attacks on China, and place Korea primarily under Chinese rather than Soviet control.

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3. Reported Chinese Communist view on cease-fire--US Ambassador Henderson in New Delhi has learned of a discussion of the UN cease-fire proposal between Indian Ambassador Pannikar in Peiping and Chinese Foreign Minister Chou En-lai, during which Chou, though "somewhat noncommittal," suggested that the proposal would be more palatable to Peiping if it provided for a cease-fire and conversations to take place simultaneously. Chou said he would discuss the matter with his government.

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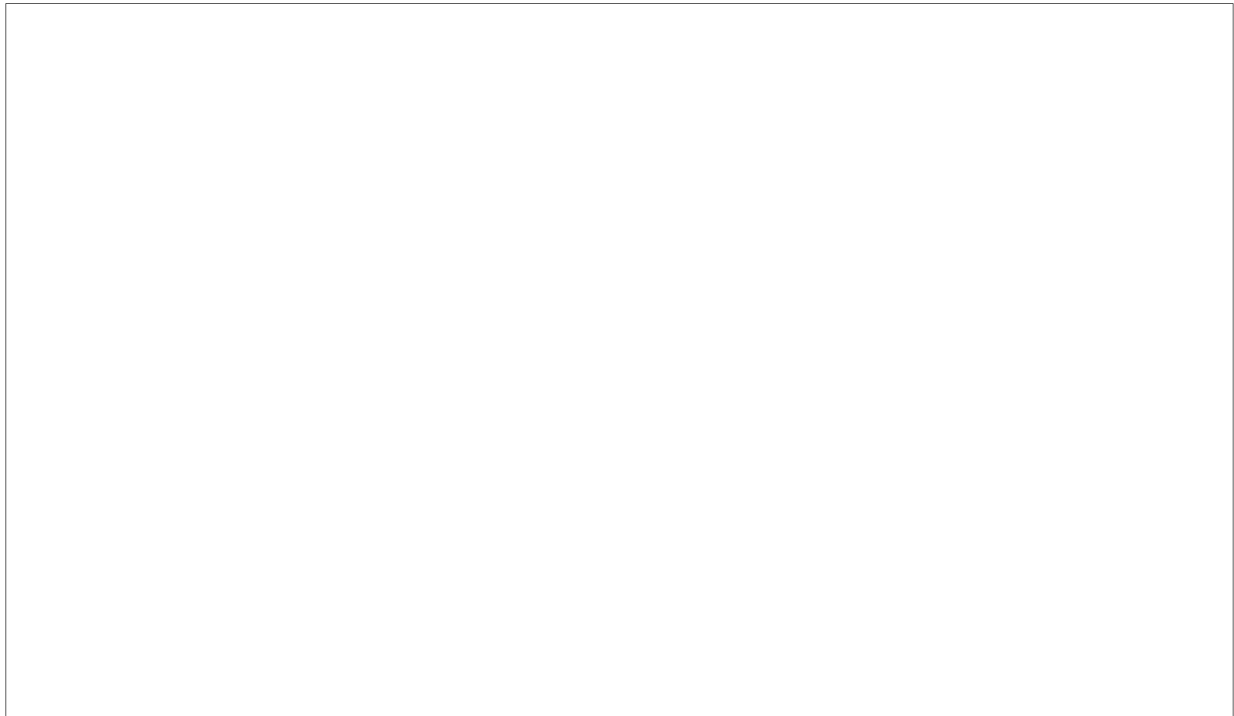
Meanwhile, French delegate Chauvel has told a member of the US delegation at the UN that he feels the Chinese Communists will not flatly reject the new cease-fire proposal but will state conditions which might lead the West into negotiations while hostilities were continuing.

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GENERAL

- 1. British Chiefs of Staff views on Chinese vulnerability--
 US Embassy London transmits the conclusions reached in a 14 January study by the British Chiefs of Staff on the vulnerability of China to attack. The following conclusions were reached: (a) the Chinese ability to sustain, even with Soviet help, large-scale and prolonged campaigns would be reduced by heavy air attacks on industrial and transportation centers; (b) similar, but more delayed results, could be obtained by attacks on transportation systems, oil installations, and power stations; (c) blockade would render these above actions more effective; (d) even intensive and prolonged air attacks, plus a blockade, could not in themselves bring about China's defeat; and (e) Chinese land forces could contain any bridgehead which might be established on the mainland, and any attempt to penetrate inland would be an extremely hazardous operation and would not yield decisive military result.

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EUROPE

- 2. GERMANY: Need for "positive" Western statement felt--
 The US High Commission in Frankfurt has been advised [redacted] that it is urgently necessary to issue "some positive statement" outlining a new relationship between West Germany and the occupying powers. [redacted] Adenauer believes that the only basis for progress in negotiations is a public statement that Germany will be given its sovereignty at an unspecified future date, that administration by the High Commission will be liquidated as soon as possible, and that negotiations looking toward a security treaty will be

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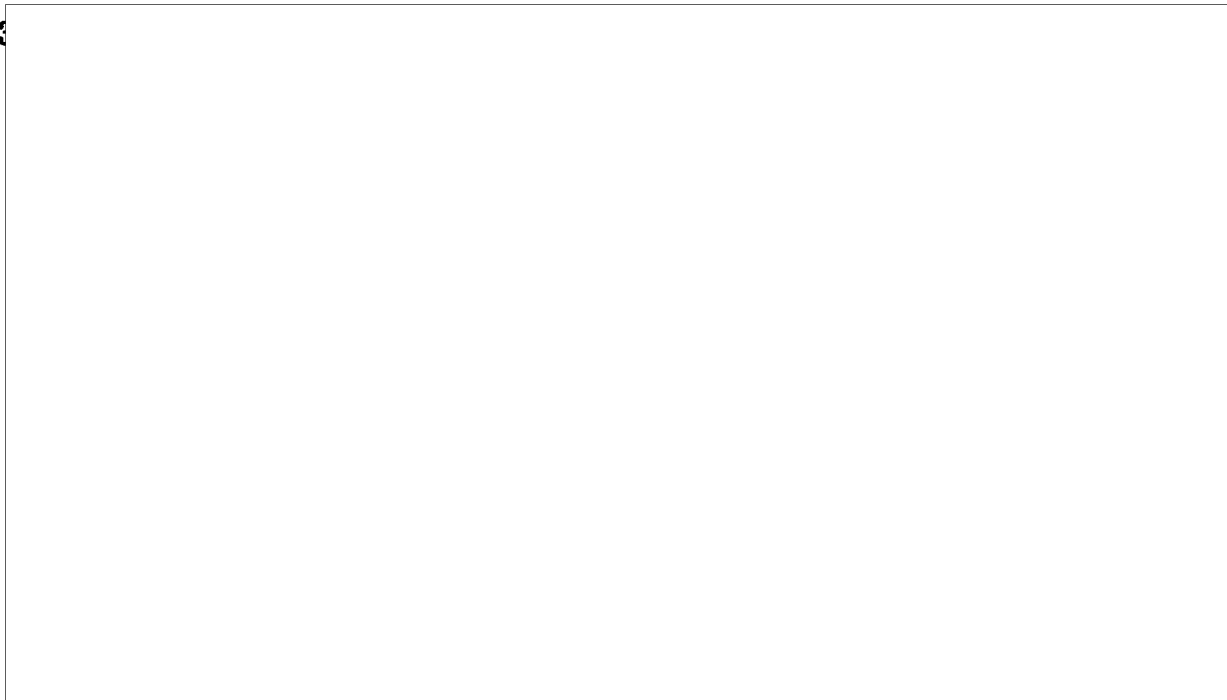
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undertaken at once. [redacted] the drift toward neutralism is becoming more pronounced and Adenauer's position more insecure, and that unless such a statement of principles is issued, the situation will continue to deteriorate. The High Commission comments that other sources confirm the estimate of a more pronounced drift toward neutralism. The High Commission does not believe, however, that the Socialists, despite gains in recent Laender elections in the US Zone, are likely, within the next few months, to dominate the Bundesrat to such an extent as to make the Adenauer regime unworkable.

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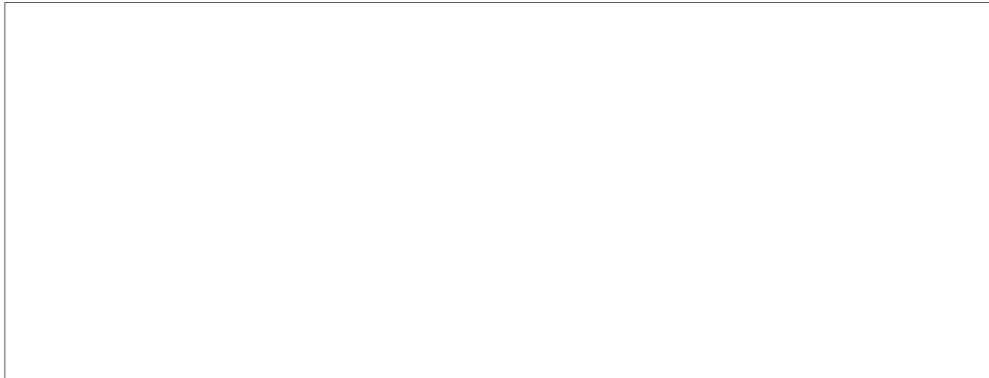


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4. **INDOCHINA: No overt Chinese action expected soon--US Minister Heath in Saigon reports that General de Lattre is "absolutely convinced" there will be no overt Chinese Communist participation in Viet Minh action during the next few weeks. De Lattre is confident that he can successfully withstand the Viet Minh attacks which are very likely to occur in this period. However, US Consul Blancke in Hanoi has since been told by an officer temporarily attached to the High Commission that de Lattre is "gravely worried" about the current Viet Minh offensive and that three more battalions are coming from Saigon to assist French operations. Blancke comments that this information is unconfirmed elsewhere although he has learned other forces were called in. Concerning Chinese Communist activity, Blancke has been informed that the French have verified reports indicating that the Communists are putting effort and expense "far beyond the demands of normal commerce" into the Chengtu-Tali Road which connects with the Burma Road, thereby suggesting that Burma may be slated for possible early penetration.**

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GENERAL

1. No progress made in London meetings on Kashmir--A British official has informed US Embassy London that no progress was made toward solution of the Kashmir problem during the recent London Conference attended by Prime Ministers Attlee, Nehru, Liaquat, and other leaders of Commonwealth countries. The official made it clear that in his judgment the failure was primarily the result of Nehru's intransigence although he balanced this to some extent by pointing out that public agitation in Pakistan and the resulting uncertainty concerning Liaquat's attendance had created an unfavorable atmosphere for the conversations. Indicating that the bulk of these talks had centered around demilitarization, with some attention being given to a possible plebiscite, the British official said that action by the Security Council is clearly the next step toward solution of the Kashmir problem.

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Meanwhile, Prime Minister Menzies of Australia has expressed to US Ambassador Gifford his "very grave concern" over the failure to reach agreement, placing the blame squarely on Nehru. According to Gifford, Menzies was "most apprehensive" that continuance of the impasse will lead to a resumption of communal strife and perhaps to war between Indian and Pakistan.

EUROPE

2. THE NETHERLANDS: Attitude toward European defense-- In a discussion with a US official regarding the Dutch attitude toward European defense problems, a Dutch representative on the NATO Council remarked on the "public and official complacency" which is to be found in the Netherlands. He felt there had been too great a desire on the part of the Dutch

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to relax and to hide behind their view both that France and Belgium would not really fulfill their defense commitments and that the US exaggerated what it was doing. The Dutch official expressed the view, however, that Dutch groups working to develop a sense of urgency in the government had been making some progress.

3. **YUGOSLAVIA: Closer ties with European Socialists sought--**
US Ambassador Allen in Belgrade views the forthcoming visit to London of a Yugoslav parliamentary delegation as a step in Yugoslav efforts both to establish closer liaison with Western European Socialist parties, especially the British Labor Party, and to make the Yugoslav Parliament a functioning institution. Allen points out that the Yugoslavs took the initiative in arranging this visit and that during the last six months the Yugoslav Communist Party has been shifting more and more of its appeal to Social-Democrats rather than to splinter Communist groups. He expresses the opinion that the Yugoslav Government is seeking, through the formation of close ties with Social-Democratic parties, to create a stable foundation on which to base continuing friendship with Western states in the event that Yugoslavia's strategic value to the West should decline. Allen notes, however, that although the Yugoslav Government seems anxious to develop closer ties with Socialist parties for co-operation on international problems, Socialist ideas regarding internal management are still not acceptable to the Yugoslavs.

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GENERAL

- 1. Austrian views on Soviet policy--US Minister Donnelly in Vienna transmits the view of Foreign Minister Gruber that March through July will be the critical period in Europe, with Yugoslavia as the possible Soviet target. Gruber also feels that if hostilities do not break out by July and if the US and the NATO countries accelerate their defense plans, the West may not only prevent war but weaken the Soviet position within the USSR and the Satellites. Regarding Korea, Gruber remarked that US prestige would not suffer from a forced evacuation but that it would be impaired if the US yielded to Soviet and Chinese Communist political pressure to leave Korea.

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EUROPE

- 2. GERMANY: Present status of German unity efforts--In an analysis of Chancellor Adenauer's reply to the Grotewohl proposal for East-West German talks on German unity, the US High Commission in Frankfurt notes that the reply, though not completely satisfactory, marks an advance in that it was agreed to by all Bundestag factions except the Communists and aligns the West German Government behind the Allied policy on German unity. In pointing out that Adenauer's reply is being interpreted as tantamount to rejection of talks "which might advance the German cause," the High Commission stresses that the Grotewohl letter and attendant Communist propaganda has made a definite impact on West Germans and has demonstrated again that with respect to German unity "blood is thicker than ideology." The High Commission adds that popular response to the Grotewohl

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proposals is further indication of the recent trend toward neutralism in West Germany and warns that the USSR will probably make every effort to exploit West German dissatisfaction with the Adenauer reply. In the Commission's view, the USSR attaches great importance to early all-German talks in order to strengthen its hand at a forthcoming Council of Foreign Ministers meeting.

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3. ALBANIA: Anxiety spreading throughout country--US Embassy Belgrade reports that the French Legation in Tirana regards recent Albanian complaints of border violations and espionage against Greece, Italy, and Yugoslavia as an effort to lay the foundation for a possible appeal for outside assistance and to rally the Albanian public to its leaders. The French believe that these Albanian actions may explain the increase in the number of Soviet "specialists" in Albania but doubts that the Albanian Government will be successful in overcoming the opposition of the majority of the Albanian people who "delight in the government's inability to prevent frontier violations."

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4. INDOCHINA: Estimate of military position--A French official in Hanoi has told US Consul Blancke that he believes the battle now underway between the Viet Minh and the French will be decisive "for months to come," barring full Chinese Communist intervention. The Viet Minh, following the Chinese Communist precedent, are not concerned with occupying territory but are now set to meet and destroy the main French forces. The French official stated that General de Lattre has "accepted the challenge" and that "all chips are down," each side hoping

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to annihilate the other. The official said further that the Viet Minh have fairly strong uncommitted reserves 20 miles north of the battle lines, but he believes these are insufficient to take Hanoi if the French win the present battle. Blancke adds, "we are optimistic" but the next four days should tell.

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GENERAL

1. British to advance Iran ten million pounds--US Embassy London has been informed by the Foreign Office that the Anglo-Iranian Oil Company (AIOC), after consultation with the Foreign Office and the Treasury, has decided to grant an urgent Iranian Government request for a royalty advance of ten million pounds to avert a threatened closing of the Iranian central bank. The British suspect, however, that further requests will become necessary after a short time, even though the contemplated advance will exhaust accumulated royalties to date. In this connection, the Foreign Office spokesman said that although he still supported Premier Razmara, he felt that the time had come for a "straight talk" with Razmara on his intentions regarding the pending AIOC concession agreement.

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EUROPE

2. ITALY: Communist anti-Eisenhower demonstration fails--According to US Embassy Rome, the Communist demonstration on the occasion of General Eisenhower's visit was the "worst Communist failure" in recent years. The Embassy attributes this Communist defeat to the combined opposition of the government, the free labor movement and public opinion. The Embassy notes, however, that although Communist peace manifestations are not attracting the masses, the Communists persist in believing that their brand of pacifism has wide popular appeal. The Embassy concludes that the Italian Communist Party continues to act primarily as a party devoted to promoting military defeatism by propaganda rather than as a party of action attempting to create serious civil disturbances.

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3. INDOCHINA: Report on military situation--According to a US official recently returned from the front, the French have definitely repulsed the recent Viet Minh attack, although the Viet Minh are still maintaining pressure throughout the area while regrouping. The US Military Attache in Hanoi considers the situation secure for the moment. He points out that the Viet Minh attacking force of 10,000 suffered casualties of approximately 3500-4000. (French casualties approximated 400 killed and 1200-1500 wounded.) The French believe the Viet Minh will require 10-20 days for regrouping before launching another attack in force.

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GENERAL

1. Reported Chinese views on Korean cease-fire-- According to US Embassy London, British diplomatic representative Hutchison in Peiping has informed his government that when handed the text of the Chinese Communist reply to the latest UN cease-fire proposal, he was "given time for an extended but fruitless discussion" of the Chinese note with the Chinese deputy Foreign Minister. Hutchison also reported that Foreign Minister Chou En-lai, in a separate interview with Indian Ambassador Panikkar, indicated that the Chinese reply was not meant to close the door on negotiations. Both Hutchison and Panikkar "came away with the impression" that the Chinese Communists are still prepared to consider possibilities of a settlement on the basis of the UN proposal, with appropriate modifications. The US Embassy offers the opinion that the Chinese Communists, during these interviews, were attempting to aggravate the rift in the UN over the Korean issue and provide India (and to a lesser extent the UK) with further excuse for forestalling or at least delaying positive UN action.

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2. INDOCHINA: De Lattre's views on military situation-- In a discussion of the recent Viet Minh attack with US Minister Heath, General de Lattre stated that he is now certain of being able to withstand Viet Minh attacks but that he must receive necessary reinforcements from France promptly. De Lattre insists, however, that having seen the fanatic fighting spirit and the excellent tactical direction of the Viet Minh troops, he will need at least a division and a half, instead

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of the few battalions he previously thought would be sufficient. De Lattre declared he would resign his command if the French Government does not furnish these troops. De Lattre said he had no plans for a counteroffensive at this time. De Lattre also said he did not want to do anything that would give the Chinese Communists a pretext for intervening and for this reason he was against the use of US training units. However, the moment a Chinese battalion is identified as being on Vietnamese soil, he will ask for US instructors.

3. **THAILAND: Concern over Chinese intentions**--US Ambassador Stanton reports that when the Thai Foreign Minister informed him of Thailand's intention to support the US resolution naming the Chinese Communists as aggressors in Korea, the Foreign Minister appeared "visibly nervous" over Communist China's rejection of the UN cease-fire proposal and seemed to fear that this rejection signified Communist intentions to force a world war. The Foreign Minister was even more upset over the fact that Thailand, in giving its firm support to the US, was acting entirely independently of other Asian nations and had "pretty much isolated itself from these nations in matters of foreign policy."

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GENERAL

1. British concern over arms aid to Yugoslavia--According to US Embassy London, the British Ambassador in Belgrade is "increasingly concerned" that Western defense material ordered by Yugoslavia will probably not begin to arrive until summer and that this delay may significantly affect Yugoslav morale and ability to resist. Although British military authorities consider an attack on Yugoslavia unlikely before September 1951, that is, until the Satellites complete their 1951 recruitment and training program, the British Foreign Office is inclined to believe that Western arms deliveries to Yugoslavia should be assigned a higher priority. The Foreign Office also anticipates that Yugoslavia will make a request for arms on a government level instead of seeking them solely through commercial channels.

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2. Australian views on New Guinea issue--The Department of State has transmitted to US Embassy Djakarta a summary of a personal message to the Secretary of State from Australian Prime Minister Menzies expressing Australian concern over the possible transfer of sovereignty over Netherlands New Guinea to Indonesia. Menzies considers that the Indonesians have no real connection with the inhabitants of New Guinea, either in race or culture, and that therefore Indonesian sovereignty over New Guinea would be no more than a conversion from one form of colonialism to another. Menzies says that, on the other hand, New Guinea is vital to Australia, and he suggests that a joint-trusteeship, in which the Netherlands and/or Australia is represented, would perhaps prove to be a solution in the long run. Menzies expressed the hope that the US could meanwhile delay any decision "which might have the

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effect of getting rid of the Dutch'' and giving Australia
''an uncomfortable neighbor in the near north.'' Menzies
added that whoever controlled Netherlands New Guinea
could, at will, infiltrate Australian New Guinea.

- 3. Nehru makes poor impression in French visit--US Am-
bassador Bruce in Paris reports that Indian Prime Minister
Nehru made a most unfavorable impression upon anti-Com-
munists, both French and foreign, during his recent Paris
visit. Nehru singled out well-known Communists or fellow-
travelers for private interviews and was publicly and bitterly
critical of French policy in Indochina.

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EUROPE

- 4. FRANCE: Electoral reform issue--US Embassy Paris anti-
cipates that on Premier Pleven's return from his projected
visit to Washington, he will be plagued by the problem of an
electoral reform law which, in the Embassy's view, is the
principal issue dividing the parties of the coalition govern-
ment. The Embassy warns that the attention being given the
issue should not be construed as a sign of French political
irresponsibility. The Embassy points out that whereas all non-
Communist parties agree on the need for electoral reform
in order to reduce Communist strength in the Assembly,
disagreement arises from the realization that the orientation
of the French Government during the next five years will be
fixed in broad outline by the nature of the new electoral law,

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rather than by the elections themselves. The Embassy adds that all the non-Communist parties are holding out for an electoral law which will give them the greatest advantage. According to the Embassy, the controversy must be settled at the government level and probably in the last resort by Plevin himself.

FAR EAST

5. Change in Indian Ambassador's view of Chinese Communists-- CIA/S

US Embassy London reports that according to [redacted] the British Foreign Office, Indian Ambassador Panikkar in Peiping is no longer optimistic about future Chinese developments and his reports no longer "put the best possible gloss" on Chinese Communist behavior. [redacted], Panikkar has reluctantly reached the conclusion that the Chinese Communists are "drunk with success" and are becoming quite impossible to deal with. Panikkar is reportedly unhappy over the prospect of future relations between China and the rest of the world, and especially between China and India. The British Foreign Office hazards the guess that on Nehru's return there may be a showdown in the Indian Government over the question of relations with the Chinese Communist regime.

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T O C O N F I D E N T I A L

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EUROPE

1. USSR: Propaganda hits at US "aggressive" intentions--
 US Embassy Moscow believes that the major speech at the Lenin anniversary exercises on 21 January probably marks the inauguration of a new propaganda campaign on the theme that the US aims to destroy the Soviet structure and national independence. The Embassy points out that whereas the addresses on such occasions usually give a rounded presentation of Soviet ideology, the speech by Communist Party official Pospelov was completely devoted to the US and contained over 40 references to "American imperialism." The Embassy considers it noteworthy that in its portrayal of the American society the speech made a shift away from the likelihood of economic crisis in the US and dwelt instead on the "barbarous repression by American imperialism" of the forces of peace and democracy. There was also a parallel shift from the "inevitability" of capitalism's downfall through economic collapse to its defeat through war. The Embassy comments, in noting Pospelov's assurance concerning the ability of the USSR to emerge from a major conflict stronger than before, that the Soviet audience could hardly draw assurance from the speech that the Soviet Union's cause would be victorious without war or that the Soviet people would escape involvement.

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2. YUGOSLAVIA: Foreign Minister's views on Korean problem--
 In a lengthy discussion with US Ambassador Allen on Yugoslav policy regarding Korea, collective security, and the UN in general, Yugoslav Foreign Minister Kardelj expressed the view that it would be tactically unwise to declare Communist China guilty of aggression. Stressing the importance of Europe,

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Kardelj expressed the opinion that UN forces in Korea should remain strictly on the defensive and seek to withdraw "carefully and tactically." Kardelj thinks collective security must have a moral basis if it is to succeed and that this basis must be the "defense of national independence." He believes that collective security would fail if invoked to defend colonialism and asserted that Yugoslavia would not join in a collective effort to maintain France's position in Indochina or the British position in Malaya. Kardelj declared categorically, however, that Yugoslavia would support collective security anywhere in the world where aggression against national independence was involved, citing Finland, Burma, Thailand, and Indonesia as examples. He said that Yugoslavia would devote its fullest resources in manpower and material to assist the UN in resisting such aggression, regardless of whether Yugoslavia itself were attacked. Allen reports that the conversation was interrupted by another appointment and comments that when the discussion is resumed, Kardelj will probably come to the point with a request for military assistance on the grounds of Yugoslavia's willingness to fight in case of aggression.

NEAR EAST-AFRICA

3. IRAN: Analysis of current political situation--US Ambassador Grady in Tehran reports that the political situation at the moment in Iran is characterized by: (a) the weakness of the Razmara Government vis-a-vis the Majlis and entrenched interests, in addition to the general lack of popular faith in the government; (b) the critical financial situation; (c) confusion and frustration resulting from the unsettled oil question; and (d) a gradual but steady swing toward a neutral position in the East-West struggle, reflecting in part the course of events in Asia. Grady states that it seems apparent that the Shah,

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undoubtedly recalling the manner of the establishment of his own dynasty, will never support a strong Prime Minister; Grady concludes that the disintegration of the Razmara Government may be expected to continue and that within a few months Razmara will probably be replaced by an old-guard Cabinet. The Ambassador believes that although the situation is neither "cheerful nor encouraging," the following steps are necessary to strengthen Iran as a barrier against Soviet aggression: (a) a high-level agreement with the British, without delay, on parallel policies in Iran; (b) continued efforts through close personal relations with the Shah and the Prime Minister to bolster their morale and guide their footsteps along the road of progressive development; (c) encouragement of the earliest possible solution to the oil question; and (d) the extension of immediate economic and military aid to Iran on simple terms.

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GENERAL

1. NATO deputies favor further aid to Yugoslavia--According to US Embassy London, the discussion concerning Yugoslavia at the 22 January meeting of the NATO deputies disclosed that most of the deputies are concerned over the need for caution and discretion in extending aid Yugoslavia, fearing "disastrous results" if the Yugoslav Government is pressed "too hard and rapidly" to orient towards the West. The deputies definitely favored the continuance of economic aid to Yugoslavia. The British representative stated his belief that military rather than economic questions were now coming to the fore; he said that the USSR had built up the Satellites' combined troop strength to the point where they were now "more than a match" for Yugoslavia. The British deputy therefore feels it is important to begin clearing the way now for a time when Yugoslavia may make a formal request for military assistance.

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EUROPE

2. ALBANIA: Increased number of Soviet personnel observed--US Embassy Belgrade transmits a report from the French Minister at Tirana concerning the movements of Soviet personnel in Albania. According to the French representative, during the past few weeks he has for the first time seen Soviet armored and aviation officers in Tirana wearing the insignia of their arm. He has also noted that Soviet technical advisers have been brought into the Foreign Ministry and other government offices in greater numbers and has observed for several weeks a sharp increase in the number of Soviet civilians, as well as military personnel, who stay a short time

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at the Hotel Dajti and then leave for the provinces. The French Minister ventures the opinion that Albanian authorities may have in mind the use of force against "aerial violations" which have been noted lately in greater number.

3. **FRANCE:** "Truce" on electoral reform in Pleven's absence-- Premier Pleven has told US Ambassador Bruce that he considers electoral reform the most important problem, besides rearmament, that the French nation must deal with and that his government is determined to push satisfactory legislation through the Chamber no matter what the political consequences may be. Concerning press reports that the electoral reform issue might be used in an attempt to overthrow the government during Pleven's absence in the US, the Premier said that he had discussed this with the leading members of all the parties except the Communists and they have agreed that "peace and quiet" would reign during his absence. A Committee of Ministers with representation from each party in the government has been appointed to make a further study of the question while Pleven is away.

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4. **GERMANY:** Reaction to Eisenhower visit--US High Commission Bonn reports that German reaction to General Eisenhower's visit has been almost universally favorable. The Commission expresses the view that although immediate positive results on the question of German defense contributions cannot be expected, the visit has created a more favorable atmosphere for further consideration of the problem. According to the Commission, Eisenhower's statements have provided a stimulant for early decision and have done much not only to overcome the general apathy of the Germans but also to weaken the public support Socialist leader Schumacher has been able to evoke for his relatively negative attitude on Germany's role in Western defense.

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GENERAL

1. Analysis of Asian anti-Western feeling--US Embassy Moscow, in noting an increasing tendency on the part of the Pakistani Ambassador in Moscow to be critical of the policies of the Western democracies toward Asia, reports that in recent conversations the Pakistani Ambassador has emphasized that the Asian countries will gravitate to the "camp" which permits them maximum "freedom and independence." The Embassy remarks that Soviet Communism may have tapped a deeper and more extensive reservoir of latent but enduring animosity toward the democratic West than is generally realized by non-Asians. The Embassy considers that the US must frankly face the fact that these deep-seated causes of Asian mistrust and suspicion cannot be easily or quickly eliminated and that the USSR possesses "enormous initial psychological advantages in the battle for the soul of Asia." The Embassy believes there may be a protracted period before the Asian countries learn from "bitter experience" that they have been seduced by the "subtle and deadly imperialism of the Kremlin" and feels there is the possibility of a showdown during this period when the USSR is still profiting from its initial advantages in Asia. The Embassy therefore suggests that the time may have come for the US to make "a more realistic appraisal" of the prospects for genuine alliances with selected Asian countries which are inclined for historical and cultural reasons to be both more resistant to Soviet imperialism and more receptive to mutually beneficial arrangements with the West than are other Asian countries.

Meanwhile, Lebanon delegate Charles Malik has strongly urged to the US delegation at the UN that the US not permit itself to be deviated from a firm, consistent

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line by what he described as the "nonsense" of the Asian-Arab world. Malik also spoke of "the growing axis" between India and Communist China and spoke of it as being "morbid and pathological." He said it was impossible for one who had not participated in the meetings of the Asian-Arab group to understand how apparent this tendency is and how serious for the Western world.

EUROPE

2. ITALY: Weakness of Communist Party displayed--According to US Embassy Rome, a high official in the Ministry of Interior believes the weak Communist display during General Eisenhower's visit is the latest symptom of the Party's incapacity to arouse mass interest in its political maneuvers. He said that if the Communists had been able to arouse wide popular support, there undoubtedly would have been serious disturbances fomented by hardened militants, but, lacking mass support and faced with the powerful police force, the Party leadership probably realized the futility of expending their cadres at the present juncture. The official reiterated his opinion that unless the Red Army invades Italy, the Communists will continue to be unable to create serious large-scale strikes and disorders; the Italian workers are showing increasingly that they will not undergo sacrifices and suffering for political causes even though they may sympathize with these causes. The Embassy reports it is in agreement with the Italian official's view and finds it hard to believe that the Kremlin has not ordered the Communists in Italy to create serious disorders whenever and wherever they find it expedient.

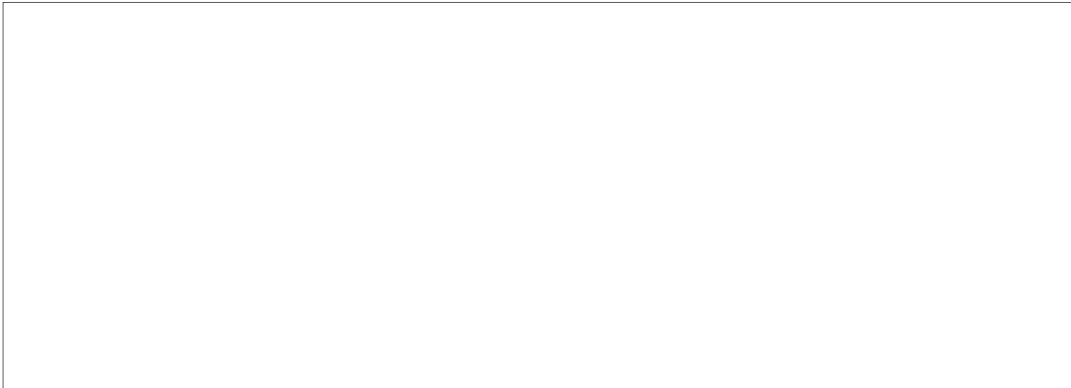
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FAR EAST

3. **INDOCHINA: Evidence concerning Chinese intervention--**
US Minister Heath in Saigon reports there are no indications of increased strength of Chinese Communist forces in the provinces adjacent to the Indochinese border, but the heavy recruiting in this area may indicate, in addition to the need for replacements in Korea and an increase of anti-Communist guerrilla activity, a build-up for the invasion of Indochina. Heath notes an increase during the month of December in Chinese Communist propaganda claiming French border violations by both land and air and the killing of Chinese civilians. Heath adds that Chinese and Viet Minh representatives, at a meeting in Nanning at the end of December, reportedly discussed aid to the Viet Minh, intervention in Indochina, and organization of commands along the Indochinese border.



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GENERAL

1. French estimate of situation inside Communist China--
 The French Foreign Office has passed along to US Embassy Paris a recent report on the Chinese Communist internal situation by French Military Attache Guillermax who recently left Nanking and has just arrived in Hong Kong. According to this report, the internal situation in Communist China has "profoundly changed," both from the morale and economic standpoints, and the Chinese Communists have abandoned the "primary task of reconstruction" in order to adopt measures putting the country on a war footing. US economic measures have obviously hurt industry, particularly in Shanghai, but they are not sufficient to change the "present situation." Police control is extremely strict and there is no internal danger to the regime. Although certain divergencies exist among Chinese Communist Politburo leaders, the absence of purges or resignations among those leaders provides evidence of a unity of views. Chinese Communist military-diplomatic successes in the first action beyond Chinese borders in a hundred years appeal to nationalistic instincts and pride.

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The French Military Attache makes the following estimates concerning Chinese Communist foreign policy:

(a) China will not be able for a decade or more to rid itself of Soviet pressure and influence in foreign affairs;

(b) China's economic weakness and relative military weakness in "modern war" permits the USSR to take advantage and strike at Western interests in Asia; and (c) Chinese initiative is gradually adapting itself to the "rhythm desired" by the USSR in relationship to the whole world situation, not merely the Far East.

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2. Tito's views on world situation--US Ambassador Allen in Belgrade reports that in a discussion between Tito and US Congressman Kennedy concerning collective security measures and the reluctance of the Yugoslav and other governments to support such measures in Korea, Tito said that collective security is a world-wide problem which might fail if undue effort is expended in peripheral areas. Tito expressed his confidence that general war would "inevitably result" from Soviet aggression against any independent European nation, whether covered by the Atlantic Pact or not; he said he was confident that the Western Powers would not be foolish enough to let Yugoslavia, Finland, or any other country be overrun by the USSR. Tito stressed the vital importance of Yugoslavia's strategic position and the fact that the Yugoslav Army would fight. He said he does not expect an attack on Yugoslavia this spring but he is "no prophet." He emphasized that in case of attack he would not need foreign troops, stating he could put at least two million men under arms, depending on the amount of equipment he could get.

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Regarding a Big Four meeting, Tito said he was in favor of a meeting and he thought the German problem should be settled politically before Western Germany is rearmed. He did not specify his reasons but seemed to regard the rearming of Western Germany prior to a political settlement as dangerously provocative. When asked whether the West should negotiate with the USSR until it is stronger, Tito replied that the USSR was well aware of Western ability to fight a long war and would respect Western strength.

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3. **FRANCE:** Communist "fizzle" no sign of weakness--
 US Embassy Paris expresses the opinion that it would be "grossly misleading" to interpret the Communist demonstration over General Eisenhower's visit as a major setback for the Communist Party. Although from a numerical standpoint the demonstration "obviously fizzled badly," the Embassy points out that industrial workers were notably lacking from the display. Whether as a result of the government's effective show of force or not, the Embassy believes the Communists decided not to commit their cadres in any all-out demonstration at this juncture and that therefore the demonstration may not be regarded as an honest test of Communist strength. On the other hand, the Embassy states that the demonstration offers extremely encouraging evidence that the French Government has both the will and capability of taking rapid effective and energetic action against the Communists when the occasion warrants.

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NEAR EAST-AFRICA

4. **IRAN:** Grady proposes removal of US women and children--
 US Ambassador Grady proposes, in view of "increasing tension" in the international situation and the difficulties and dangers attending any emergency evacuation, to effect a "quiet decrease" in the number of women and children in Tehran. Grady says he realizes the necessity of avoiding both hysteria in the American community there and the political implications of any announced Embassy policy showing a lack of US confidence in the local government or a fear of imminent war, but he desires authorization to evacuate the dependents of Embassy personnel "at their request."

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FAR EAST

5. **INDOCHINA: Possible French deal with Viet Minh**--The British Charge at Saigon, according to a report transmitted by US Embassy London, believes that French High Commissioner de Lattre is thinking of negotiating with the Viet Minh. De Lattre's purpose, in the view of the British Charge, would be to gain time to strengthen his position against the possibility of Chinese attack. The Charge also considers that de Lattre hopes, by going slow in his military campaign against the Viet Minh, to encourage the Chinese not to intervene. De Lattre is reported to have said he could retake Langson but he does not wish by so doing to run the risk of forcing the Chinese to intervene. The Charge is uncertain what de Lattre would be prepared to offer in negotiations with the Viet Minh, believing he has not yet had time to think through the problem, but reports a rumor that a condominium may be contemplated for the areas of Indochina north of the 16th Parallel. The purpose of such an arrangement would be to keep the Chinese out, prevent the Indochinese Communists from gaining control, and keep French troops in the area. Indicating that a further purpose would be to detach the Viet Minh Nationalists from Ho Chi Minh, the Charge comments that prospects are poor for this because: (a) Communist control is too strict to permit such negotiations; (b) the continued presence of French troops would be an insuperable obstacle; and (c) a more nationalistic government than that of Bao Dai would be required to attract the Nationalists.

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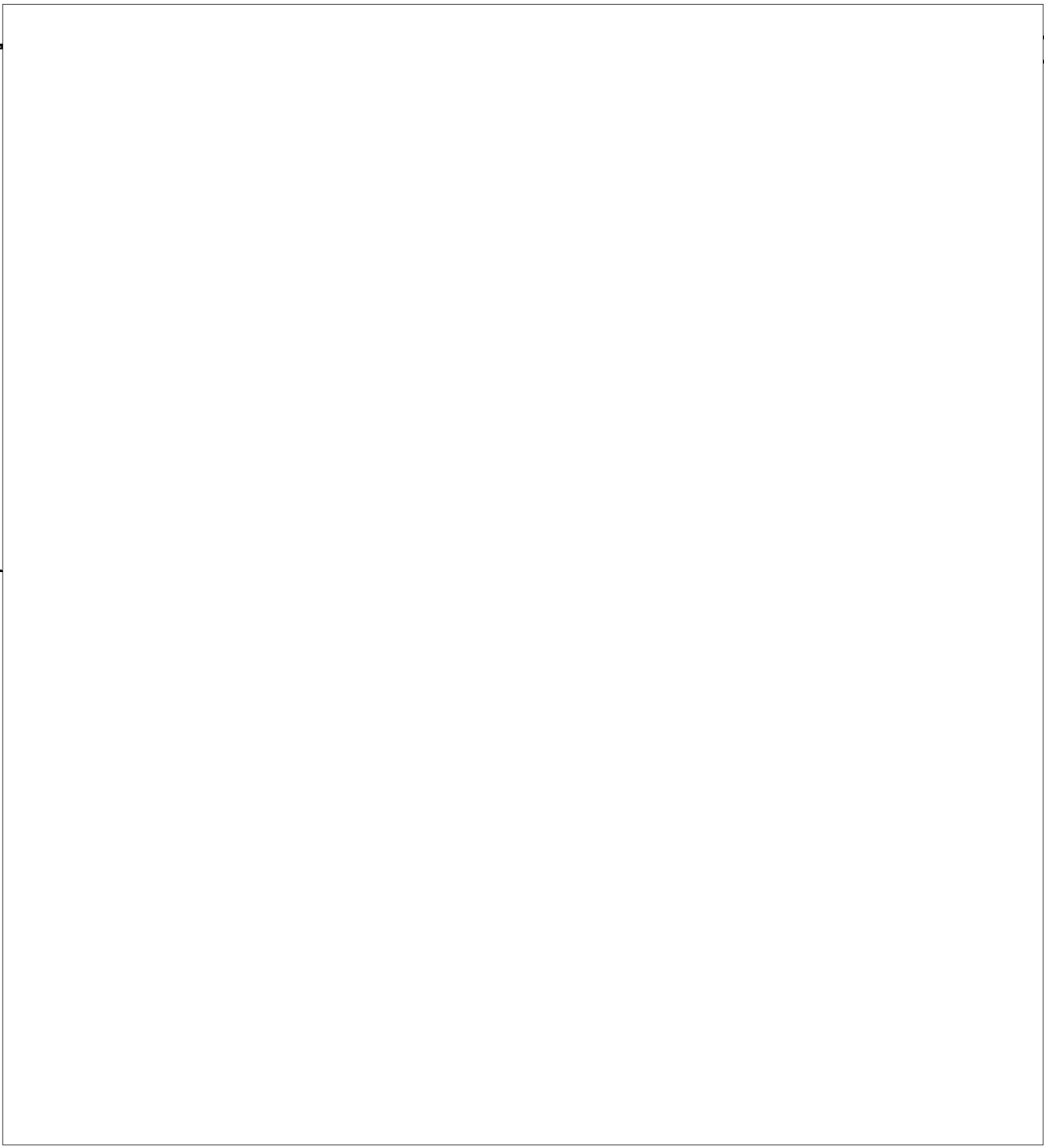
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2. **HUNGARY:** MA comments on travel restrictions-- The US Military Attache in Budapest, in commenting on the travel restrictions recently imposed by the Hungarian Government, observes that recent field coverage throughout the country "certainly produced nothing" to indicate any imminent build-up by the Hungarians in the Yugoslav border area or any unusual Soviet activity. In this connection, he further observes that the current disorganized state of the Hungarian Army, as the result of "somewhat clumsy" attempts at a build-up, should preclude its participation as an entity for several months at least. He grants, however, that the army has the capability to help launch and support logistically any partisan activity against Tito. Concerning the new travel restrictions, the MA "cannot believe" they have been imposed for any immediate purpose, either military or political, and suggests only that they represent a general tightening of security in order to conform more closely to the Soviet pattern. He points out, however, that the possibility cannot be dismissed that the USSR ordered the restrictions in order to hide a planned influx of Soviet troops. He estimates that the restrictions have reduced the effectiveness of his office by 75 percent.

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3. **FRANCE:** Government thought "ripe" to fall--US Embassy Paris expresses the view that the Plevin Government "has about exhausted its reservoir of good will" and may fall on any one of the issues now on the Assembly schedule. The Embassy points out that the dissatisfactions of the Radicals, Socialists, and the MRP with the government are related to issues which they consider especially important because of the coming elections. The Embassy believes that Plevin could get his "second wind" if he could drive the government

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and Assembly through to conclude the electoral reform law and that he would be considerably helped if he could claim, upon his return from the US, that the US has gained in its understanding of the French point of view and certain French needs, particularly with respect to Indochina. The Embassy considers that given this and the conclusion of the electoral reform law, the Pleven Government might last until the elections. The Embassy's first guess as to Pleven's successor, if his government falls before the elections, is Bidault, president of the MRP. According to the Embassy, Bidault has a double advantage for the Radicals in that he: (a) is a convinced proponent of close alignment with the US; and (b) has shown extreme moderation on the electoral reform law issue.


Government deals vigorously with Communist fronts--
US Embassy Paris believes the French Government's 24 January orders, calling for the dissolution within one month of the World Federation of Trade Unions, the World Federation of Democratic Youth, and the International Federation of Democratic Women, offer further encouraging evidence of official determination to deal energetically with the Communist threat in France. Moreover, the French Government has by this action deprived these Communist front organizations of the hallmark of respectability which possession of a headquarters in a Western capital has heretofore given them.

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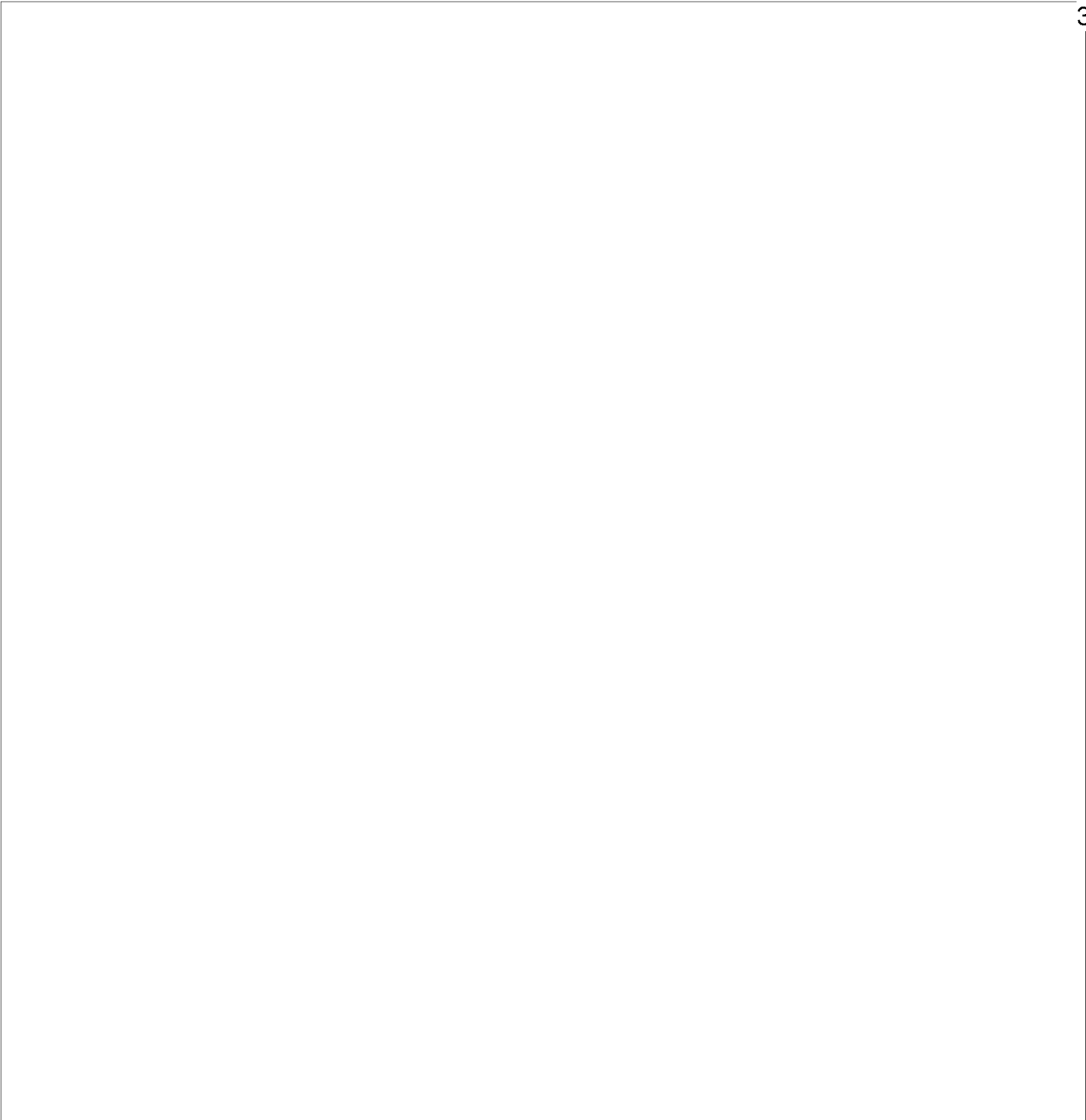
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4. **YUGOSLAVIA: Soviet attack against Germany expected**-- US Ambassador Allen has gained the impression from recent talks with Marshal Tito, Foreign Minister Kardelj, and other Yugoslav officials that the Yugoslav high command has convinced itself that the "next Cominform attack" is more likely to be against West Germany than against Yugoslavia. According to Allen, the Yugoslav officials believe the Kremlin would make German operations appear to be "unification measures" instituted by the Germans themselves, thereby avoiding a clear-cut case of aggression against an independent country. The Yugoslavs think operations in Germany could begin at any moment but the timing probably would depend on developments in the Far East. Allen voices his suspicion that because of Tito's and Kardelj's insistence that aggression means an attack against an "independent country" and Tito's expressed belief that a four-power political settlement of the German question should precede German rearmament, the Yugoslavs may be building up a position to justify their neutrality if Germany becomes a "second Korea" and fighting is limited to Germany. Allen believes the Yugoslavs are prepared to join the fighting if it spreads, whether Yugoslavia itself is attacked or not.

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The US Air Attache in Belgrade reports that a representative of the Yugoslav Foreign Office recently stated that an attack on Yugoslavia is not likely this Spring. The Yugoslav said further that the next outbreak would probably take place between East and West Germany and that the Russians "still remain opportunists" and without a time-table.

5. **ITALY: Resignations among Communist leaders**--US Embassy Rome reports that the discontent which has been brewing for some time within the Italian Communist Party

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has finally boiled over in high party circles. Cucchi and Magnani, two of the most important Party leaders in the Emilia region, where the Party has the largest single regional membership, have broken with the Party; Magnani delivered a speech in which he committed the "heresy" of clearly putting the interests of the Communist movement in Italy above the state interests of the Soviet Union. The Embassy believes it is premature to evaluate fully the repercussions of this action, stating it is not yet clear whether the two men represent a large organized group nationally or even in Emilia.

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FAR EAST

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1. **INDOCHINA: De Lattre urgently requests aid--**The US Military Attache in Saigon transmits a request from General de Lattre, French High Commissioner for Indochina, that his need for French troops and materiel in Indochina be brought to the attention of General Eisenhower and the Joint Chiefs of Staff. De Lattre most urgently requests that Eisenhower advise French Premier Pleven to furnish these troops and materiel because of his conviction that: (a) the USSR will strike in Western Europe only after the Asian flank is positively secured, and troops in Indochina will "buy time" for the formation of armies in Western Europe; (b) holding Tonkin, the gateway to Southeast Asia, would prevent the Chinese Communist forces from overrunning the entire continent and advancing the Soviet opportunity to seize Europe; (c) the troops and materiel requested represent the capability for successful tenure against the entire Viet Minh forces, plus four Chinese Communist armies (the estimated maximum which could be committed and supplied, considering the present Chinese commitment in Korea); and (d) the time gained for the formation of a Vietnamese Army might conceivably permit the return of metropolitan troops to France in 16 to 18 months. De Lattre told the MA that he would personally present the request to Pleven during February and reiterated emphatically that he would resign his command if his request is refused.

The MA comments he is convinced the requested reinforcements are adequate and necessary for the accomplishment of de Lattre's mission; he also considers that since de Lattre's assumption of command in Indochina, the combat efficiency, general morale, and operational adaptability

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of the troops have greatly improved. The Attache reports a discussion with de Lattre's planning chief, Colonel Boffre, concerning the formation of the Vietnamese Army, stating that this is the first time the concept of a Vietnamese Army was so definitely expressed by a responsible official.

EUROPE

2. **FINLAND:** Possible indicators of Soviet plans to attack--
The Department of the Army has advised the US Military Attache in Helsinki that the recent Soviet propaganda attack on Finland, as well as Soviet military interest in the Scandinavian area, warrants giving special attention to all information indicating any possibility of a Soviet attack on Finland. In this connection, the Department lists as recent indications: the rumors both of Soviet interest in Finnish mobilization plans and of their desire for radar installations in Finland, Soviet purchase of maps of Scandinavian waters and Finland, East German reconnaissance of Scandinavian ports, the November sabotage incident in Norway, and the identification of Marshal Meretskov, the wartime Soviet commander of the northern front, as commander of the White Sea military district.

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2. **THAILAND: Reported Communist plans to incite Chinese--**
US Minister Rankin in Taipei transmits a "probably true"
report from the Chinese Nationalist Foreign Office that
Communist agents in Bangkok have decided on plans to
incite the Chinese in Thailand against the Thai Government,
using up to US \$1 million for such purposes. According to
source, part of this sum is to be used to bribe members of
the Thai Parliament to vote for a bill now in draft form,
which would require all aliens to leave certain designated
areas within 60 days of passage of the bill; these areas are

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important economic centers where many Chinese are concentrated. The Nationalist Government believes the Communists see an opportunity here to cause disturbances by inciting the Chinese to "rebel at the gross injustice" of the Thai authorities.

NEAR EAST-AFRICA

2. **FRENCH MOROCCO:** Situation tense--US Minister Plitt in Tangier reports that the situation in French Morocco is becoming increasingly tense as a result of the impasse between French Resident General Juin and the Sultan of French Morocco over the question of the Sultan's relations with the Nationalist political movement. A French official has confidentially informed Plitt that Juin has demanded that the Sultan denounce the Nationalists and dismiss certain court personnel who are "inimical to French interests." This official denied that an ultimatum had been given, requiring the Sultan to abdicate, and expressed the belief that the Sultan would accede to Juin's terms. Plitt envisages "no good" in the present situation and says that if it is permitted to worsen, the US position and military program in Morocco may be seriously prejudiced.

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Meanwhile, US Consul McBride in Rabat reports he has received confirmation from official French sources that the French are considering the possibility of replacing the Sultan unless a change in his attitude toward the Nationalists occurs rapidly.

3. **ISRAEL:** Soviet displeasure with Israelis--According to US Embassy Moscow, the French Embassy in Tel Aviv has reported that the recent Soviet demarche to the Israeli Government asked for an explanation of Israel's orientation towards

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the West and accused the Israeli Government of having already contracted military and political ties with Western bloc countries, including Turkey. The Israeli Foreign Minister reportedly replied that Israel is still pursuing its non-aligning policy and had contracted no such ties. In its report, the French Embassy commented that the two-month delay in Soviet acceptance of the Israeli Minister-Designate is another sign of Soviet displeasure with the Israelis.

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GENERAL

- 1. No imminent hostilities foreseen in Eastern Europe--
 US Embassy Paris reports that the chiefs of US missions in Eastern Europe, now meeting in Paris, have agreed that evidence available to them does not suggest the imminence of an outbreak of hostilities in their areas. Although the development of the military capabilities of the Soviet Union and the Satellities is progressing steadily (more rapidly in Hungary), present signs suggest that this effort is designed to build up long-term military strength rather than to support hostilities in the immediate future. The chiefs of mission caution, however, that a change in this situation could occur at any time and, because of the increasing limitations on facilities for observation, might not be immediately detected.

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These US officials believe that the chances that the USSR will not move on its own volition in the immediate future appear greater than the chances it will. They point out, however, that actions of the Western Powers directed toward reducing the gap between Communist military strength and their own could conceivably alter the present attitude of the USSR, as could any inept move on the part of the West. They consider, therefore, that the extent and the manner of the rearmament of West Germany may be of "paramount importance." In this connection, they cite the intense Soviet and Satellite propaganda reaction to the question of German rearmament and observe that this reaction demonstrates "the gravity of that step to the Soviet orbit for the future." Pointing out that this reaction appears to have been more violent in the Satellites than in the USSR, the US chiefs of mission say it is not possible to determine whether these admonitions

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are part of the war of nerves or whether they forecast direct action if West German rearmament gets under way. They estimate that because the USSR undoubtedly realizes the Western Powers are aware of the magnitude of military development in East Germany, the Kremlin probably would not be provoked per se by a comparable effort in West Germany.

2. Yugoslavs make direct arms request of British--A high Foreign Office member has told US Embassy London that Yugoslavia has made a direct arms request through a Yugoslav official (Milovan Djilas) to Prime Minister Attlee. The request was couched in general terms, without any indication of the amount or specific nature of the material envisaged by the Yugoslavs, although Djilas did speak of a desire for "certain arms, machinery, raw materials, and license rights" for the manufacture of arms. He stressed the importance the Yugoslavs attach to unobtrusive handling of this matter. Attlee reportedly gave a noncommittal response to this approach. S/T S

3. Yugoslavs expect Soviet action against Germany--Belgian Prime Minister Pholien has told US Ambassador Murphy of a discussion with the Yugoslav Minister in Brussels concerning Western defense. The Yugoslav diplomat informed Pholien that his government now considers the question of Yugoslav participation in Western defense measures to be "premature" but has the matter under study. The Yugoslav said further that his government believes that Soviet pressure will be directed against Germany, because of the rearmament question, rather than against the Balkans. CIA/S

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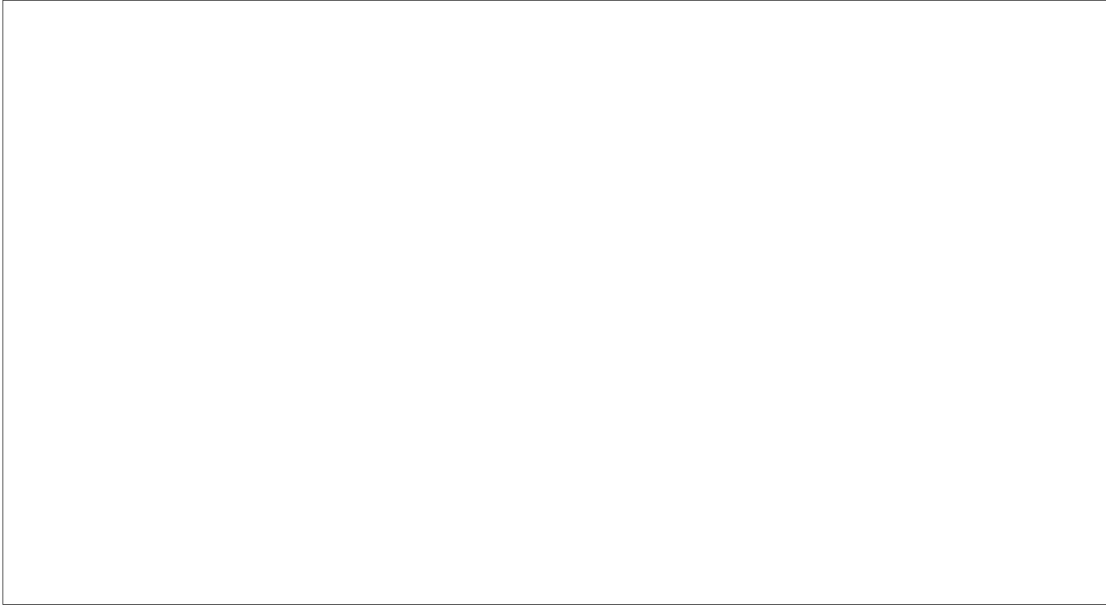
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EUROPE

4. **UNITED KINGDOM: Disillusion over Chinese Communists**--
US Embassy London reports that members of the Foreign Office are thoroughly discouraged over the failure of the Chinese Communists to take the initiative in negotiations on any single occasion. These British officials point out a "striking parallel" between Chinese negotiations with the UN and their negotiations with the UK for the establishment of diplomatic relations. The British feel it should now be apparent to all that the Chinese Communists: (a) never seriously intended to negotiate a peaceful settlement in the Far East; (b) never sincerely desired to establish diplomatic relations with the UK; and (c) have never made a serious effort to enter the UN but have only made noises to that effect.

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5. **FRENCH MOROCCO:** French account of impasse--According to US Embassy Paris, the French Foreign Office has confirmed the report that General Juin had been "rough" with the Sultan of Morocco and had threatened him with forced abdication if the Sultan was not prepared to make a declaration denouncing the terrorist "Fascist" methods of the Nationalists in Morocco, to remove certain anti-French members in his entourage, and to stop stalling on reforms which the French wish to initiate with a view to democratizing the regime. Explaining that Juin's menacing attitude toward the Sultan was only intended to "bring him to reason," a high Foreign Office official discounted the possibility of the Sultan's removal largely because he feels the Sultan will probably accede. He indicated no action would be taken in the situation until after Juin returns from Washington.

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FAR EAST

6. **INDOCHINA:** Chinese troops reportedly in Laos province--US Legation Saigon reports that Chinese Communist troops have crossed the border into Laos province and that the Chinese have closed their border in the area near Laos, Thailand, and Burma. The Legation does not regard this Chinese "reconnaissance in force" as a threat "in itself"; according to the French, the crossing was made to ascertain the presence of Chinese Nationalist troops in the area, to obtain information regarding French military installations and road conditions, and to determine the attitude of the natives toward the Chinese Communists. The Legation believes that the Chinese action in closing the border in this area may be linked with their preparations in the Chinese province of Yunnan for a show of force against Burma and Thailand. The British and General de Lattre, however, are beginning to fear that a build-up in Yunnan may be a preliminary step to "turning the flank" in Tonkin.

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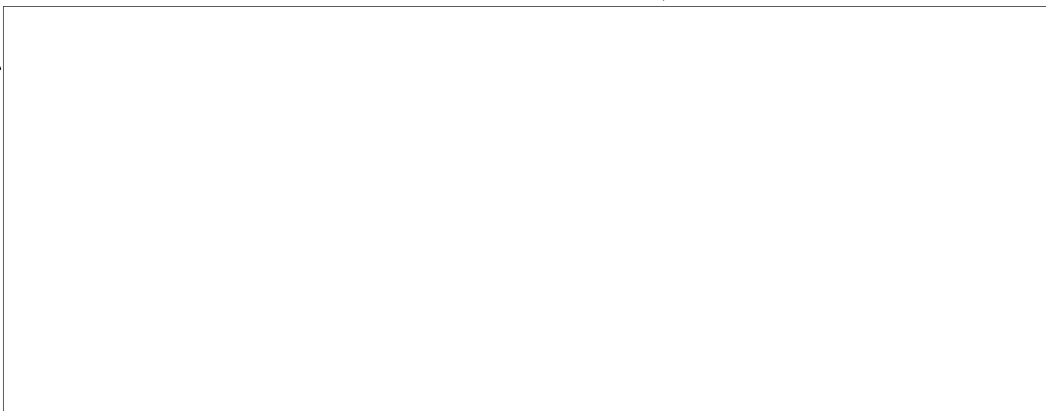
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2. SPAIN: Franco's views on East-West struggle--According to US Embassy Madrid, General Franco in a recent interview with a US correspondent openly stated he would prefer a bilateral military and economic agreement or alliance with the US rather than Spanish participation in the UN or the North Atlantic Pact. The correspondent gained the impression that Franco underestimates Soviet strength and believes that Germany is capable of forming a first class army.

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3. AUSTRIA: Concern over Communist disorders in spring--US Minister Donnelly reports that Vice Chancellor Schaerf is greatly concerned over the possibility of new Communist disorders in late February and early March. As an indication of trouble in February, Schaerf pointed to the continuous training of Communist strong arm squads in the Soviet Zone for forcible seizure of industrial installations and public utilities, and to Communist inspired demands for a 20 percent wage boost. Schaerf anticipated that high unemployment might prevent effective control of the workers by the Socialist Party and that the

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danger was therefore greater than at the time of the Communist disorders in October, 1950. Chancellor Figl also admitted the likelihood of Communist-inspired riots in February, but estimated that Austrian security forces were capable of controlling the situation. He expressed the view, however, that reduction of unemployment was essential in order to minimize the effect of any Communist disturbances.

FAR EAST

- 4. **INDOCHINA: De Lattre's fears of "provoking" Chinese--**
In a recent conversation with US Charge Gullion in Saigon, General de Lattre expressed the view that a proposal to create a joint US-British-French headquarters for consultation on Indochinese affairs should be approached with "great caution." Admitting that some kind of consultation was certainly desirable, De Lattre stressed the importance during the next four to six months of avoiding any provocation of the Chinese; he feared that the association of the US and UK in some kind of permanent headquarters might "touch off Chinese reaction" and disturb the "present delicate balance."

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French interference with Bao Dai cabinet--A leading Vietnamese official has told US Legation Saigon that French interference is principally responsible for the complications currently delaying the formation of a new Bao Dai government. The official declared that the French were meddling at every step by opposing the appointment of "real nationalists."

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GENERAL

1. Analysis of Soviet position on Germany--In an analysis of the latest East German proposal for negotiations on German unification, the US High Commission in Frankfurt concludes that the USSR has not yet exhausted its efforts to win control of Germany through cold-war tactics of pressure, intimidation, and negotiation and that these tactics will run their course before force is employed. The Commission points out that the latest proposal offers very little if any encouragement for believing that the USSR or East Germany is ready to do more at this time than offer concessions in bad faith and in contexts where it can safely be assumed that the Western Powers must refuse the concessions offered. In the opinion of the Commission, the East German proposal is clearly a move to strengthen the Soviet politico-psychological posture in West Germany and indicates a Soviet willingness to make some concessions to West German opinion in an effort to attain the Kremlin's strategic aim of a demilitarized West Germany.

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The Commission warns, however, that regardless of the Soviet motives, the conciliatory tone of the proposal brands it as a genuine diplomatic move which must be answered on its merits if the German people are to be convinced of the folly of all-German talks on East German conditions. Acceptance of these conditions would in fact hand control of Germany's future to the USSR rather than keep it within the control of the four occupying powers. The Commission adds that all-German talks of the kind proposed by the East Germans would permit the Germans, rather than the occupying powers, to negotiate a complex of subjects affecting the future of Europe and Germany and would delay and possibly disrupt present allied-West German negotiations on contractual relationship and rearmament.

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FAR EAST

- 2. **CHINA: Report on internal conditions--US Consul General McConaughy in Hong Kong transmits information concerning Communist China** [redacted]

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[redacted] (a) Communist control has been strengthened as a result of violent suppression during the past few months of persons in active opposition to the Communists or considered unreliable; (b) the Communists have largely succeeded in neutralizing the educated in large cities, through appeals to their patriotism and because of their fear of a monopolization of information; (c) dislike for Communism is growing; and (d) anti-American propaganda has not caused the people generally to manifest any dislike for Americans. [redacted]

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guerrilla activity appears to have decreased; fear and lack of leadership have paralyzed many who are opposed to the Communist regime, and there is a growing feeling that resistance is hopeless unless the outbreak of world war brings drastic changes. Except among the educated class, the growing dislike for Communism is not specifically related to Communist international policy, but rather to depressed economic conditions and increasingly stringent police controls.

- 3. **KOREA: North Korea in chaotic condition--According to US Ambassador Muccio in Pusan, Pyongyang radio treatment of a recent North Korean Cabinet decision indicates that chaotic conditions exist in North Korea, including defeatism among the civil population, a serious food shortage, and almost complete disruption of agriculture because of a shortage of both manpower and seed. The radio commentary**

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spoke of the "agrarian economy destroyed by the enemy" and mentioned a village in south Pyongyang province where one young man remains out of eighty farm families. The Cabinet decision revealed that 610,000 factories, houses, and other buildings have been destroyed and 60 percent of domestic animals lost.

4. INDONESIA: Attitude toward Pacific defense pact--Foreign Minister Roem has informed US Ambassador Cochran that "it would not be consistent with Indonesia's peace policy" for Indonesia to participate in a Pacific defense pact now. In reply to a question from Cochran, Roem said that the Indonesians would expect the US to defend them if Indonesia is invaded by the Communists. Cochran remarked that if such was the Indonesian expectation, it would be better to do some advance preparation rather than to await danger. Cochran feels that now is the propitious time to bring the Indonesians to face the realities of the world situation; he believes that if the US continues a "too gentle" policy with Indonesia, the country itself will not only become a problem but will contribute to the strengthening of the Asiatic-Arab bloc, thereby creating a much bigger problem.

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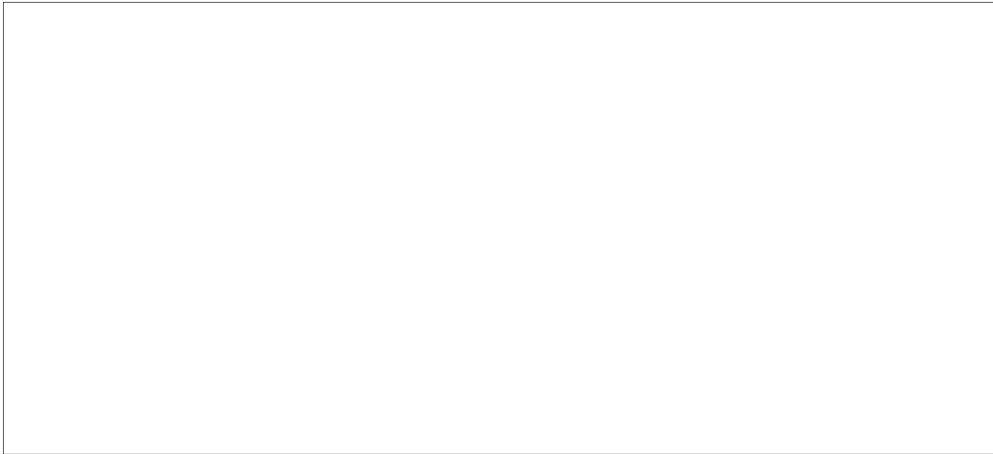
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GENERAL

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- 2. Indian thinking on US role in Kashmir dispute--In a discussion of possible UN action on the Kashmir dispute, Secretary General Bajpai of the Ministry of External Affairs told US Ambassador Henderson that he personally hoped the US would not at this time take the lead in any action which might be construed as bringing pressure on India regarding Kashmir. Bajpai thinks that if the US initiates or plays the leading role in such action, it would be difficult to convince the Indian press and people that the US was not "getting back" at India for the position India had assumed on Korea and the Far East.

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EUROPE

- 3. UNITED KINGDOM: Support for Attlee Government lessens--US Embassy London transmits the results of a recent Gallup Poll which shows that since December 1950 Conservative

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strength has risen sharply (from 46 to 51 percent), with a corresponding decline in support for the Labor Government (43 to 38 percent). The poll indicated that only twice since 1945 has confidence in the government been so low, once after the dollar crisis in 1947 and once after devaluation in 1949. An analysis of the poll reveals that support for the government fell off most sharply among the lower income groups and the trade unions, the principal reasons being the rise in the cost of living, shortages of food and fuel, and steel nationalization. (The British Gallup Poll has a consistent record for accuracy in previous surveys of public opinion.)

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GENERAL

- 1. Analysis of Soviet note on CFM--In the opinion of US Embassy Moscow, the latest Soviet note on the Conference of Foreign Ministers adheres, for propaganda purposes, to the narrow limits of the original Soviet proposal and "tends to clarify" the Soviet intention to insist that German demilitarization be the first matter discussed. The Embassy also believes that the reference to the Potsdam Protocol indicates a Soviet desire to restrict the scope of the discussions to Germany and possibly Austria.

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The Conference of US Ambassadors currently meeting in Frankfort believes that the attack in the Soviet note on the general build-up of Western defense, as contrasted to German rearmament alone, gives the Western allies an excellent opportunity to respond vigorously, placing the matter in its proper perspective and turning attention to the general aggressive attitude of the USSR and the excessive Soviet military strength in being. The Conference thinks the time has arrived for a positive approach which clearly identifies the basic causes of tension and places full responsibility on the USSR. Such an approach should make it clear that any questions involving Germany, including demilitarization, must be dealt with in relation to these basic causes of world tension.



- 2. British views on Chinese Communist intentions--According to US Embassy London, the British Charge in Peiping has informed his government that on 3 February Chou En-lai told Indian Ambassador Pannikar that: (a) the US did not realize the seriousness of what it had done by sponsoring the UN resolution condemning the Chinese Communists as

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aggressors; (b) the conflict is now likely to spread; and (c) as long as the Chinese Communists are branded as aggressors, Peiping will have nothing to do with the UN Good Offices Committee. The British Foreign Office is inclined to believe that Chou is merely engaging in more propaganda aimed at widening the rift between India and the US. The Embassy notes, however, that the British seemed uneasy lest Chou "really meant what he said," especially with regard to the spread of hostilities. As possible indications of more active Chinese participation in Indochina, the British cited the apparent failure of the recent Viet Minh offensive, concentration of Chinese troops along the Indochinese border, and the relaxation of Chinese military pressure in Korea.

EUROPE

3. **YUGOSLAVIA:** Decision to seek arms from West--US Ambassador Allen expresses the opinion that the Yugoslavs have made the basic decision to seek substantial military aid from the West but that their initial efforts will be to obtain supplies through commercial credits. Allen states it is evident that negotiations or feelers are going on in several places and that the Yugoslavs are trying indirectly to find out what they can obtain; he believes the Yugoslavs will make a more direct approach if they fail to obtain arms through commercial channels. Allen feels it is preferable to wait until the Yugoslavs make a direct request, because negotiations on Western initiative would obligate the West to furnish "more supplies more rapidly" than would be feasible.

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4. **GERMANY: Current thinking on East-West German talks**-- According to the US High Commission in Bonn, it now appears that the Federal Republic will soon decline the latest East German proposal for East-West German negotiations on unification and will appeal to the four Occupation Powers for free all-German elections. Most West German leaders believe that any reply which would contemplate talks would be most dangerous, in that once the talks began the East German delegates would not only have a first class platform for their propaganda but an excellent opportunity for delaying a final decision on German defense. These leaders also now doubt that the majority of West Germans would urge acceptance of East-West German talks prior to free elections in East Germany. In the Commission's view, most West Germans are still "unconcerned, undecided, or skeptical" over the specific issue of the necessity of meeting with the East Germans.

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5. **ITALY: Reported change in Communist policy**--US Embassy Rome expresses the view that the recent speech given by Communist leader Secchia may mark a turning point in Communist Party policy in Italy which would bring Italian Communism into line with Soviet "proletarian internationalism" and away from the "nationalist" line which the Italian Party has been following. The Embassy also believes the speech may indicate that Moscow has realized that the Italian Communist Party must be "Bolshevized" because it contains too many opportunists, real patriots, and undisciplined members who have given the party "quantity" but not, in the eyes of the Kremlin, "quality." The Embassy has been told [redacted]

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[redacted] if the present Italian Government continues in the democratic tradition under De Gasperi, the Party is likely to undergo considerable disintegration, particularly if a nationalist Communist movement should emerge.

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6. CZECHOSLOVAKIA: Communist purge reportedly under way--
US Legation Vienna has been informed [redacted] that Czechoslovak President Gottwald is under sharp police surveillance and tension is high among the Czechoslovak people, with large numbers of officials and private individuals being arrested daily. [redacted] Soviet Deputy Foreign Minister Valeri Zorin, who allegedly engineered the Communist coup in Czechoslovakia in 1948, is now on a secret visit to Prague.

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FAR EAST

7. INDOCHINA: Indonesians reportedly attempt mediation--
US Embassy Manila has learned [redacted] that the Indonesian representative in Rangoon had been instructed to approach representatives of Ho Chi Minh to ascertain whether any useful steps could be taken to bring about an understanding or basis for peace between Ho Chi Minh and Bao Dai. The Embassy understands that up to the present no reply has been received to the Indonesian approach. Meanwhile, US Embassy Rangoon has been told by a Burmese politician that the Viet Minh recently expressed interest in mediation with the French and that Ho Chi Minh's terms of reference are expected soon. The Embassy believes these negotiations were begun on the initiative of the Indonesian Ambassador in Rangoon.

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GENERAL

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1. British estimate of Yugoslav vulnerability--According to US Embassy London, the British Foreign Office has gained the impression from further conversations with Yugoslav representative Milovan Djilas that the Yugoslavs do not think they will be attacked during 1951. The Embassy reports, however, that a British military estimate, which earlier considered an attack against Yugoslavia unlikely before September, is now being revised "to a somewhat earlier date." The Foreign Office now seems to think that waiting for the Yugoslavs to make a full disclosure of their arms position might cause undesirable delays in rendering them assistance. The British therefore believe it would suffice for the Yugoslavs to provide "adequately detailed" lists of their requirements, which Djilas has promised to do as soon as possible.

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EUROPE

2. FRANCE: Threat to Plevin regime--US Embassy Paris reports that although Premier Plevin no longer appears vulnerable from a foreign policy angle, speculation is rife as to whether his government can survive any of the issues due for consideration this week. The parties of the coalition are as dissatisfied as ever with each other on the issue of electoral law reform and with the government for opposing increases in expenditures which would have a large appeal to the electorate but which would upset the budget. The Embassy expresses the belief that the coalition will hold together because the government and party leaders are still seeking compromise solutions. Additional factors militating against a crisis at this time include: (a) the probability of a poor effect abroad; (b) the difficulty of forming a new government; and (c) uncertainty as to how the defeat of the

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government would bring about a solution of the electoral law reform issue. The Embassy warns, however, that the situation can change "almost from hour to hour" and states that the usual French impatience with any government that has been in office for over six months must also be reckoned with.

3. **GERMANY: Analysis of present Communist campaign**--The US High Commission in Bonn reports that West German Communists are now stepping up their campaign to capitalize on prevailing popular indecision, fear, and general desire to avoid or postpone positive steps toward joining in Western defense efforts. According to the Commission, the Communists are currently posing as public-spirited Germans working for peace and unity while hiding the fact that they are actually members of the Communist Party. Although they are having little success in influencing the major political parties, they are apparently making some headway with many neutrality, peace, youth, women's and farmers' organizations. The Commission comments that the USSR has many advantages in the propaganda battle now going on and stresses the importance of a speedy conclusion to the proposed Four-Power meeting as well as rapid progress in military and political talks affecting the relationship of the Federal Republic with the Western Powers.

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4. **INDOCHINA: Obstacles to formation of Cabinet**--According to US Legation Saigon, it is by no means certain that President Huu will be able to form a Cabinet in view of the differences between him and Emperor Bao Dai. The Cabinet crisis is

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assuming the form of a contest between Bao Dai as chief of state and the central government which has many implications for the future political life of Vietnam. The Legation points out that Bao Dai has already seized the initiative by proclaiming his program for social and economic reforms, thus throwing credit for the reforms to the chief of state rather than to the government. President Huu, on the other hand, has declared that the principal difficulty he is facing in persuading competent persons to join his Cabinet is their reluctance to participate in a government which reposes "on the will or whim of one man."

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GENERAL

1. Schumacher finds Soviet note to West "conciliatory" --
The US High Commission in Bonn reports that Socialist leader Schumacher considers the latest Soviet note to the Western Powers concerning a Conference of Foreign Ministers relatively conciliatory and that he feels the prospects for a profitable conference are good. Schumacher thinks the Soviet note implied "significant concessions" in the admitting of other questions besides Germany to the discussion and in leaving the order of the matters to be discussed to an exploratory conference. Schumacher emphasized that it would be a grave mistake to adopt the view that this particular conference might possibly solve the whole complex of East-West problems; he feels the most that can be hoped for is that this or even a later four-power conference might achieve some small success in turning the trend of events in the right direction. Schumacher feels it should not be discouraging to know that it may take 25 such conferences to solve any of the really big outstanding problems.

EUROPE

2. FRANCE: Stability of government still in question--US Embassy Paris believes that neither the heavy favorable vote on Pleven's Washington talks nor the new proposal on family allowances nor the new bill on electoral law reform has ended the possibility that the Pleven Government will be overthrown in the near future. In the opinion of the Embassy, the most that can be said for certain is that the immediate danger has been put off, with inter-party disagreements and mutual suspicions unallayed. The coming

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week may bring either a crisis or real agreement on the basic difficulties of the present coalition, but the Embassy believes further postponements of major decisions are most likely.

NEAR EAST-AFRICA

3. **FRENCH MOROCCO: Juin-Sultan situation "under control"** -- US Embassy Paris reports that following Resident General Juin's departure from France for North Africa, Foreign Minister Schuman personally assured Ambassador Bruce that the Juin-Sultan situation is under control and a satisfactory solution of the Moroccan problem can now be expected.

Meanwhile, General Juin has complained bitterly to US Minister Plitt concerning US "interference" in a situation involving the internal stability of a French protectorate. Juin did not mention the Sultan to Plitt, but he stressed his intention to neutralize "political troublemakers."

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GENERAL

1. Israeli-Jordan relations strained--US Legation Amman expresses the opinion that the recent Israeli atrocities at Shorafat, coupled with their continued occupation of Jisr Majami and their obstructive tactics over the Wadi Araba dispute, will serve greatly to strengthen the forces in Jordan against any settlement with Israel and have already alienated the Jordanian Prime Minister from any conciliatory policy he may have adopted. Prime Minister Samir spoke of these incidents in "the bitterest terms" and told the Legation he is now convinced the Israelis do not seriously desire a peace settlement but seek to keep relations strained. The Legation comments that the Israelis missed a "golden opportunity" to obtain a peace settlement with Jordan by continuing what the Jordanian public considers provocative and aggressive action in the construction and use of the road diversion in Wadi Araba and the occupation of Jisr Majami.

*CIA, Conf.***EUROPE**

2. CZECHOSLOVAKIA: Reported Communist purges--US Embassy Prague, although unable to verify the numerous rumors concerning the disappearance and arrest of high government and Communist officials, expresses the view that such "rumor waves" are usually based on some significant development or tension within the government. The Embassy suggests as one plausible basis for some of the rumors the split in the Czechoslovak ruling hierarchy between the old-line Communists, headed by Premier Zapotocky and President Gottwald, and the Stalinist group, headed by Slansky and

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others whose power is concentrated chiefly in the Party. The old-line Communists, who are believed to have retained strong nationalist sentiment, have probably advocated a gradual approach to the development of a Socialist state, while the Stalinist group has been pushing for violent methods as well as collaboration with East Germany to an extent distasteful to the more nationalistic elements. In addition to the strain caused by the struggle for power between these two groups, the Embassy believes that tension between them may have been increased by Soviet pressure for more drastic measures to assure Czechoslovak compliance with increasing Soviet economic demands.

FAR EAST

- 3. **INDOCHINA: Analysis of military situation**--US Legation Saigon transmits an analysis (concurring in by the US service attaches) of Viet Minh-Chinese Communist military capabilities and intentions. The recent French military victories, although heartening, have in no way altered Communist intentions to gain control of Southeast Asia and should be viewed with reserve in view of: (a) severe French losses not presently replaceable; (b) the experience gained by Viet Minh forces in maneuvering larger forces; and (c) retention by the Viet Minh of the initiative in determining the objective, direction, and force of subsequent attacks.

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The Legation notes as a "significant peculiarity" that Chinese Communist logistical support had virtually ceased during the month preceding the large-scale Viet Minh offensive in mid-January. The Legation believes that the most reasonable explanations for this development all point to eventual and "fairly proximate" Chinese Communist invasion. For example, the Viet Minh may have wanted to

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achieve as much of their goal as possible before calling for Chinese assistance; or, on the other hand, the Chinese may be forcing the Viet Minh to request intervention on Chinese terms by forcefully demonstrating Viet Minh reliance on Chinese logistical support.

As further support for the view of eventual Chinese intervention, the Legation cites: (a) the recent renewal of Chinese Communist logistical support; (b) the possibility that Chinese failure to achieve quick victories in Korea and Taiwan may create pressures which can only find their outlet in Southeast Asia; and (c) the strong temptation posed by the comparative defenselessness of Southeast Asia and the desire to move before the security of the area is strengthened. The Legation thus concludes there is nothing in recent French successes or in the general situation to have deterred Chinese intervention and a number of factors which may bring it closer.

- 4. **CHINA: Estimate of current situation**--US Consul General Hong Kong transmits an analysis of the Chinese situation by a member of the Consulate staff [redacted]

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[redacted] The staff member concludes that the Chinese Communists, as junior partners of the USSR, are fully committed to the "liberation" of Asia and, in carrying out this program, are prepared if necessary to risk war with the US which they are convinced is their "implacable enemy." Since the outbreak of the Korean war, Chinese Communist political control over the country has become stronger and the economic system, although suffering numerous defects, is workable and effective. These strong points are somewhat offset by widespread popular dissatisfaction and basic economic

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weakness arising from the strain of the Korean war and the increasing shortage of essential industrial materials. The staff member believes that military action in Korea and economic sanctions are not likely in themselves to compel the Chinese to refrain from further ventures in Southeast Asia. He feels that the means must be found to exploit Chinese Communist internal weaknesses and suggests not only assistance to the Chinese Nationalists on Taiwan but clandestine support of all anti-Communist Chinese in order to create a "united front" which would have more appeal than a resistance effort under sole control of the Kuomintang. Such a program would have the minimum aim of slowing the Communist advance in Southeast Asia, thus gaining time for Western rearmament while avoiding measures which would result in all-out war with China.

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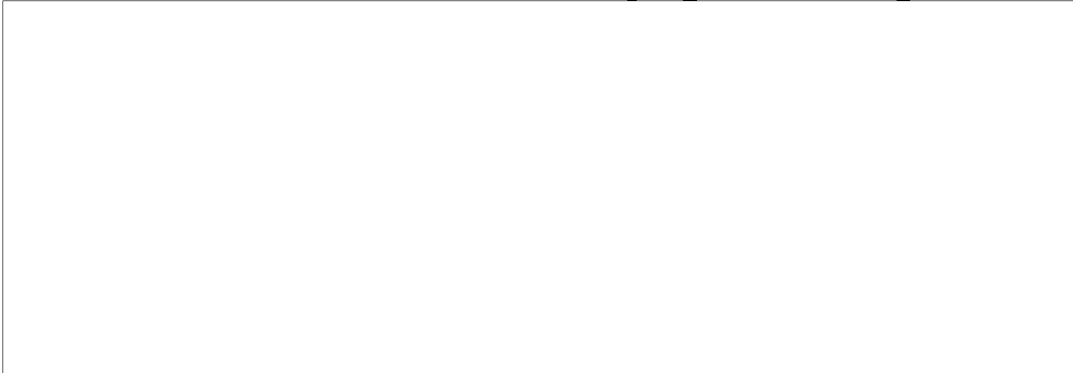


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2. British concern over Near Eastern defense--US Embassy
London reports that the British Foreign Office is deeply concerned over the problem of providing defense for the Arab States and Israel and of assuaging the deep fear pervading Near Eastern countries that the West is disinterested in their fate and prepared to do little or nothing to save them. Believing that this anxiety provides a fertile field for Communist exploitation, the UK has sought to reassure these countries and feels that some progress is being made.

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EUROPE

3. POLAND: Protest against German remilitarization--According to US Embassy Warsaw, the Secretary General of the Polish Foreign Office has given oral messages separately to the Belgian, Dutch, and Danish Ministers protesting against German remilitarization. He said the international situation is causing the Polish Government great concern and that the German question is at the center of the trouble. The Polish Government considers the small states neighboring on Germany cannot remain passive and declares that Poland will have to take measures if the situation continues. The Polish Government hopes that before it becomes necessary for the Poles to take such measures, these small states will be willing and able

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to arrange a meeting of the Big Four and will make suggestions to the Big Four regarding a basis for such a meeting. The Belgian Minister thinks a reply is expected regarding suggestions which the Belgian Government might contemplate making to the Big Four, but the Dutch and Danish Ministers think the Polish message is largely a propaganda move to prepare the basis for a Communist assertion that every effort has been made by the East to come to terms with the West.

FAR EAST

4. **INDOCHINA:** Estimate of grand Soviet strategy-- US Legation Saigon transmits the personal estimate of the ranking General (Hwang Chieh) of the Chinese internees in Indochina concerning the prospects for Chinese Communist invasion of Indochina and over-all Soviet plans. General Hwang believes the principal governing factor is the place which an invasion of Indochina occupies in the over-all Soviet strategic concept. The General is convinced the Soviet Union believes time is its ally, not an enemy, and it will endeavor to avoid general war for at least 10 years; he offers the following as Soviet reasoning in this connection. Within a decade, the resources of the Far East and Central Europe can be exploited to the point where, in conjunction with its own resources, the Soviet Union will be in a position to challenge the economic supremacy of the US and Western Europe combined. Simultaneously with the upsurge of the economic capacity of the Soviet bloc, the Western potential will decline, as a result of: (a) the unbearable strains occasioned by Soviet-inspired alarms and excursions; and (b) the inevitability of collapse inherent in the capitalist structure. During this period, the Soviet Union will attempt

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to gain victory with "white" means, and, if this fails, will then launch "red" warfare with a better than even chance of final success. The Embassy comments that these views are significant primarily because they run counter to what the majority of Chinese Nationalists hope for: an early involvement of the West in a war with Communist China.

THE AMERICAS

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5. **ARGENTINA: Peron's views on "third position"**--US Embassy Buenos Aires reports a conversation between President Peron and former US Ambassador Messersmith, during which Peron said that there was only one position which Argentina "could and would take" in the present East-West struggle, that of full collaboration with the US and the Western Powers. Peron agreed that Argentina had gained nothing from her attitude in World Wars I and II. Messersmith urged that Argentina take an unequivocal stand before too late and pointed out that the "third position" confused the Argentine people and decreased Argentina's prestige abroad. Peron concluded by saying that he could hardly find any reasons to differ with Messersmith's views.

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GENERAL

- 1. Reported Soviet plans in Europe--US Embassy Paris reports that [redacted]

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[redacted] the USSR is not planning armed action in Europe if the West refuses Soviet demands regarding Germany, but will apply in progressive stages a "short-of-war" diplomatic program. This program will reportedly include: (a) intimidation of France and the UK by vigorous diplomatic pressure on the issue of German remilitarization; (b) denunciation of the military clauses in the Satellite peace treaties; (c) intimidation of the Bonn Government designed to elicit a more favorable reaction to the Grotewohl proposals for German unification; and (d) rupture by Poland and Czechoslovakia of diplomatic relations with the West.

EUROPE

- 2. YUGOSLAVIA: Estimate of public morale--US Embassy Belgrade gives as its "best estimate" the opinion that the morale of the Yugoslav population in Macedonia, Vojvodina, and all other exposed areas is high with reference to a possible Cominform attack. The Embassy is convinced that the Yugoslav Army and populace will give a very good account of themselves if attacked by the Satellites. The Embassy believes all Yugoslav national and religious groups will fight Cominform invaders by any means possible and will not accept Cominform domination as long as the Yugoslav Government has an army opposing the invaders and Western support.

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Factors dividing the Yugoslavs are gradually weakening; Tito's policy of granting economic assistance to backward areas and of permitting local government through separate republics has reduced considerably the traditional opposition to Belgrade. Although Communism is distasteful to many Yugoslavs, they prefer the national brand to Moscow domination; Tito's high degree of personal popularity would tend to unify the populace and minimize national ideological differences in the face of a common enemy. In addition, the knowledge that the West would support Yugoslav resistance would add to Yugoslav determination to oppose an invasion.

Meanwhile, US Embassy London has learned that British Ambassador Peake in Yugoslavia is concerned over the state of public morale there. Peake indicates that there is among the populace a lack of strong loyalty to the regime and uncertainty as to whether the West would render Yugoslavia assistance if it is attacked.

3. FRANCE: Communists to stress economic demands--US Embassy Paris sees indications that the French Communist Party has shifted its tactics from emphasis on political objectives to stress on a disruptive economic campaign. The Embassy thinks the Kremlin has recognized the necessity of enhancing the effectiveness of political campaigns by allying them more closely with support for economic and social demands, and, in terms of the present situation in France, has chosen the time well. The rise of the cost of living and expected increases in coming months, such as in the cost of materials, are very much in the minds of the lower income groups. The Embassy considers that the comparative slighting of the basic social and economic concerns of the French worker over the past two years has contributed to apathetic support by Communist followers recently.

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EUROPE

- 1. ITALY: Kremlin "disappointed" by Communist weakness--
US Embassy Rome has received information [redacted]

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[redacted] that Moscow was deeply disappointed over the weakness of the anti-Eisenhower manifestations and wants the Italian and French Communist parties to make a show of strength this Spring, using German rearmament as a popular issue, tied in with protests against the rising cost of living and unemployment. The Embassy believes, in the light of this information, that the "disintegration" of the Italian Communist Party, of which the Magnani affair is symptomatic, is probably causing grave concern to the Kremlin and that a thorough shakedown within the Party is in the offing. The Embassy offers as further confirmation of the gravity with which the Kremlin regards the Magnani affair the fact that Secchia, the third most important man in the Italian Communist Party, has departed for Moscow for the second time within a month.

- 2. POLAND: Concern over "German aggression" --According to US Embassy Warsaw, Secretary General Wierblowski of the Polish Foreign Office told the Swedish Minister that Poland is gravely concerned over the menace of neo-Hitlerite aggression in Germany. Wierblowski declared that Poland could not view with equanimity the revival of dictatorial power which had nearly exterminated the Polish nation and people. The Swedish Minister replied that his government was also alert to the dangers of new aggression but that the Swedes feared hostilities from other quarters; he said that the "neo-Hitlerite menace" to which Wierblowski referred was only a possibility but that the Stalin dictatorship was an actual threat to European peace. Wierblowski reportedly ended the interview abruptly with the comment, "we are not here to discuss Stalin or the Soviet dictatorship."

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NEAR EAST-AFRICA

3. **FRENCH MOROCCO: Sultan-Juin "battle" unresolved--** US Consul McBride in Rabat has been informed by a high French official that General Juin is "unalterably" opposed to the idea of a call on the Sultan of Morocco by Secretary of Air Finletter in connection with the US air base program. The French official declared that France is responsible for the defense of Morocco, that the Sultan is informed of developments in this field by courtesy, and that all matters concerning Morocco's dealings with other countries should be handled by Juin. According to this official, the present moment would be especially unsuitable for such a call and would "stiffen" the Sultan further. McBride comments that the Sultan-Juin "battle" remains unresolved, with even the French admitting the adverse effects of it. He adds that tanks and other armored vehicles were noted in Rabat for the first time on 12 February.

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GENERAL

1. Conversations with Tito and Kardelj--US Ambassador Allen in Belgrade describes Assistant Secretary of State Perkins' talks with Tito and Foreign Minister Kardelj as highly useful. In separate talks with Tito and Kardelj, Perkins discussed Yugoslav requests for further assistance and pointed out that the present attitude of the US Congress and the public would make additional assistance most difficult to obtain without clear public indication by the Yugoslav Government of what it would do in case of war. Both Tito and Kardelj said that public opinion in Yugoslavia at this time was not ready for close alignment with the West but that in another year this situation might be different. Tito said he could not join any bloc because in case of aggression against Yugoslavia, the Yugoslav people must be absolutely certain that their government had done nothing whatever to justify Soviet allegations that the Western Powers had had aggressive intentions against the USSR with Yugoslavia as a base of operations. Perkins advised Tito that any further substantial aid from the US would require appropriations by the US Congress; Tito then said that perhaps for the moment Yugoslavia would have to depend on its own arms factories. Tito added, however, that if Yugoslavia at any time became convinced that an attack against Yugoslavia had been definitely decided upon by the Cominform and was imminent, his government's position might change promptly since the present reasons for caution would disappear.

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In further conversations, Perkins informed Tito and Kardelj that the US Ambassadors in the Cominform countries did not think either the Satellites or the USSR was preparing for an imminent attack anywhere in Europe. Tito and Kardelj both said that their own information led them to the



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same conclusion. Tito said that, from his own knowledge of Soviet psychology, he did not think the Russians would take any action which would label the USSR as an aggressor in world opinion.

Allen adds that Kardelj expressed to him much appreciation over Secretary of State Acheson's recent press statement regarding Yugoslavia and indicated his government's satisfaction with the US public position in this regard.

EUROPE

2. AUSTRIA: USSR believed tightening its controls--According to US Minister Donnelly, Austrian Chancellor Figl, Vice-Chancellor Schaerf, and Foreign Minister Gruber agree that there has been no letup in Communist planning for disturbances either in February or March. The Austrian officials are confident that the police force can control the situation provided the Communists do not receive overt Soviet support, and said that they were appropriating additional funds to increase employment. The officials also confirmed Donnelly's impression that Soviet controls in Austria are being tightened. Gruber expressed the feeling that the USSR was planning something but admitted he had not been able to find out what it was. He pointed out that most Soviet military commanders in the Soviet Zone had recently been changed. CIA/S

3. ITALY: Communists anxious over Magnani affair--US Embassy Rome believes the anxiety caused the Communist Party by the Magnani affair may be measured by the fact that the biggest Party leaders in Italy are not only denouncing CIA/S
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Magnani and Cucchi but also feel obliged to respond to their criticisms. Moreover, practically the entire resolution voted by the Geneva Congress of the Party is devoted to the Magnani affair.

Meanwhile, US Embassy Belgrade reports that Yugoslav officials are following the Italian Communist difficulties with interest, avoiding excessive optimism while awaiting developments. The Yugoslavs are reluctant to hazard a guess as to the consequences of the Italian defections, but they apparently feel that unless the Italian Party succeeds in discrediting the dissident leaders with the rank and file, there is a good chance that an independent Marxist party may be created, with a substantial following opposed to subservience to Moscow. The Embassy adds that the Yugoslav press is treating the Italian Communist difficulties with caution.

NEAR EAST-AFRICA

4. **FRENCH MOROCCO:** Sultan-Juin tension increasing--A high French official has presented US Consul McBride in Rabat with a paper containing the French point of view on the Sultan-Juin impasse, a statement which McBride finds "not overly convincing." The French official told McBride that although his government hopes for a conciliatory attitude by the Sultan, the French are not optimistic and consequently the deposing of the Sultan is "more than a strong possibility." The French hope to avoid deposition because French interests would suffer throughout the Moslem world. General Juin, however, has declared he prefers to eliminate "possible rear guard opposition" now rather than during a war and he utterly refuses to follow any line which might

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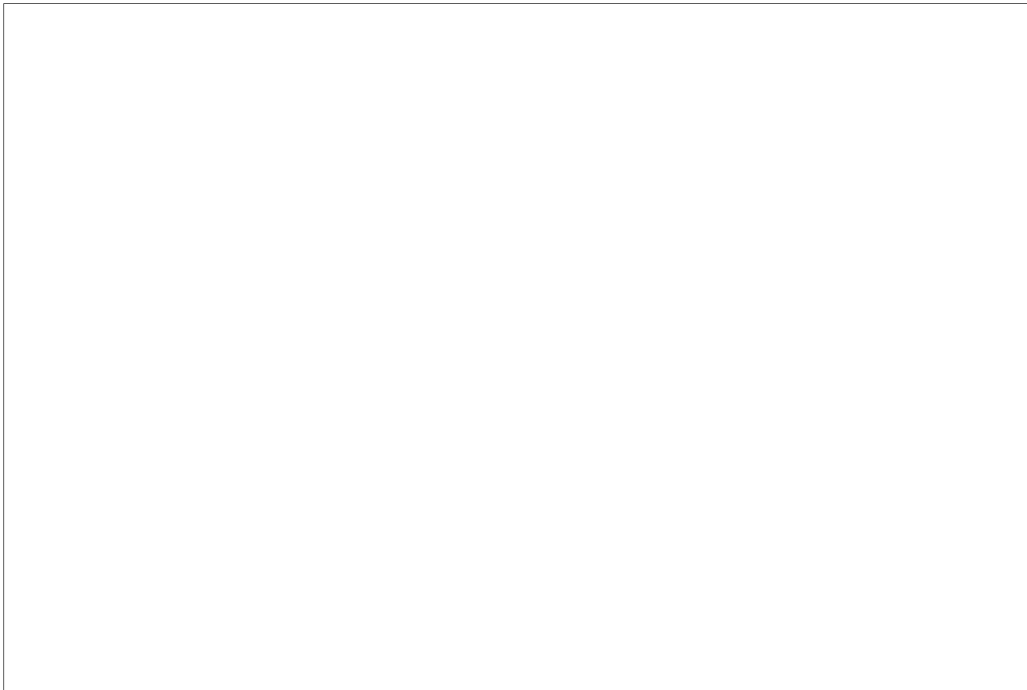
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seriously antagonize the Berber elements which have supplied 3 to 4 divisions for the Atlantic Pact army, as opposed to the Arab League which, he says, could not in its entirety furnish 1 effective division.

Meanwhile, the Sultan of Morocco has sent to Consul McBride a note conveying the substance of his reply to General Juin's oral demands of 26 January. McBride characterizes this reply as "significantly unyielding" and as representing a "less cooperative spirit" than expected. McBride says he cannot hope that the Sultan's note will ease the strain; on the contrary, it may cause the French to take an even sterner attitude.

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6. **INDONESIA: No present plans for Asiatic meeting** --US Ambassador Cochran in Djakarta reports that Foreign Minister Roem has reassured him the Indonesian Government does not plan to initiate an Asian conference for the purpose of studying the Indochinese question. Roem said the Foreign Office was working on no Asiatic plans except separate treaties of friendship with the Philippines, Burma, India, and Pakistan. In reply to a question from Cochran, Roem said his government was not reopening the question of recognition either of Ho Chi Minh or Bao Dai.

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GENERAL

- 1. West European views on possible USSR attack on Yugoslavia--
 US Embassy London reports that at the concluding discussion of the NATO deputies on the Yugoslav situation, the British withdrew their estimate that a Satellite attack on Yugoslavia is unlikely until after the 1951 training season. The British now think an attack might well come sooner, and the French share this view. However, the Netherlands deputy expressed the view that because the Satellite forces are "unreliable" (especially the Hungarian), an attack is unlikely until the Soviet Union is prepared to commit its own forces.

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Meanwhile, US Embassy The Hague transmits the view held by one of Queen Juliana's chief advisers that the opinion is gradually gaining ground among Western European "career circles" that the Soviet leaders are greatly concerned over the growing national deviation tendency in the Western European Communist parties and the progress of NATO. This view holds, therefore, that the Soviet Union is secretly passing over to the defensive in Europe, even though outwardly maintaining the offensive, and consequently a direct attack against the West is extremely unlikely within the foreseeable future, though the possibility of a Satellite attack against Yugoslavia is not excluded.

EUROPE

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3. USSR: Soviet doubts concerning four-power conference-- S/S
US Embassy Moscow has learned that Austrian Minister Bischoff saw Soviet Deputy Foreign Minister Zorin on 3 February and discussed with him the Austrian Government's desire for early conclusion of a peace treaty. Zorin said his government was willing to reach agreement but was skeptical of the attitude of the Western Powers. Bischoff suggested that the treaty could appropriately be on the agenda for a Conference of Foreign Ministers; Zorin assented but seemed doubtful whether such a conference would take place. The Austrian Minister has the impression the Soviet Union is pessimistic about a conference.

The Embassy has also learned that Bischoff was called to the Foreign Office on 8 February to see Zorin (Zorin was rumored to be in Czechoslovakia at this time). Bischoff suggests this meeting was designed to indicate the physical presence of Zorin in Moscow on that date.

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EUROPE

1. AUSTRIA: Soviet probing Western plans in Austria--US Minister Donnelly in Vienna reports that the Soviet political adviser there recently called on Foreign Minister Gruber and told him that the Soviet Union had heard rumors of Western Power negotiations with Austria concerning future plans for that country. Gruber told the political adviser that these rumors were untrue and pressed him to be more specific, but the Soviet official refused to expand on his statement. However, he went on to tell Gruber that the USSR was very sincere in its desire to maintain the status quo and the quadripartite agreement in Austria. He also said that the Soviet Union favors an early four-power meeting but the US does not, and repeated several times that his government "wants peace and only peace" and abhors war. Gruber was puzzled as to the Soviet official's motivation in this conversation but pointed out to Donnelly that this official has followed this line in recent discussions.

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NEAR EAST-AFRICA

2. FRENCH MOROCCO: Pressure on Sultan increased--US Consul McBride in Rabat indicates that the French campaign against the Sultan of Morocco is "hitting a new high," with the Sultan's deposition now thought to be a strong possibility. McBride says that Moroccan sources consider the Sultan's present position to be at its worst since the initiation of the French drive to oust him. French sources are pretending that the situation is improved, but in McBride's view local developments "hardly appear to bear out such a contention."

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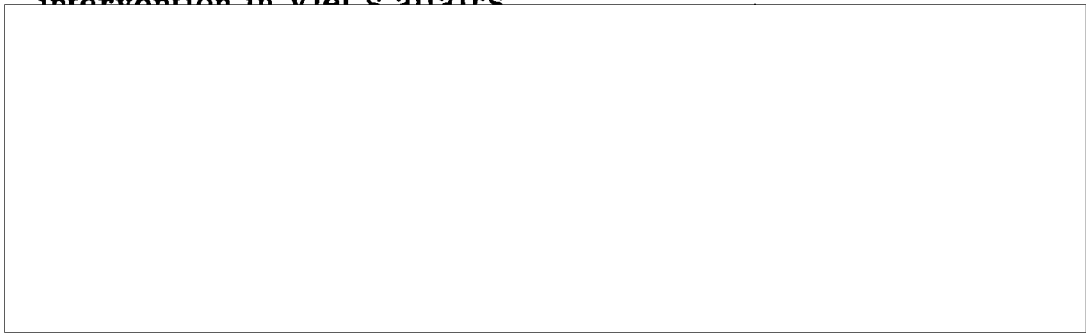
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FAR EAST

3. **INDOCHINA: De Lattre may hasten new Cabinet--US Legation Saigon transmits from the British Consul in Hanoi a report that General de Lattre, prior to his departure for Dalat on 15 February, declared he was tired of Bao Dai's indecision and intended to see that Bao Dai "got on with it." According to source, de Lattre said sarcastically that he hoped this action would not be considered by the British and the Americans as French intervention in Viet's affairs**

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GENERAL

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2. FRENCH MOROCCO: Sultan-Juin agreement reached--
US Consul McBride in Rabat reports that an agreement
between the Sultan of Morocco and French General Juin

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was reached at a 17 February meeting, during which Juin declared that the affair was closed and the French Government is agreeable to having the Sultan remain on the throne. McBride comments that the agreement reached is generally satisfactory for the Sultan and has face-saving aspects for the French. He adds that the Sultan credits the French willingness to mediate to the position taken on the affair by the US.

FAR EAST

3. INDOCHINA: Effects of Cabinet crisis--Following conversations with Bao Dai and the imperial Cabinet Director, Nguyen De, US Charge Gullion in Saigon transmits his views on the current Cabinet crisis. Gullion believes that whatever Cabinet is formed now, it is certain that the gulf between Bao Dai and Prime Minister Huu, and between the imperial Cabinet and the High Commissariat, is greater than any that existed between previous Viet and French officials. Gullion says that while Bao Dai was careful not to accuse the French directly of delaying or influencing deliberations, Nguyen De said flatly that the blame for the delay in forming the government was attributable to High Commissioner de Lattre, and secondly to Huu. Gullion is unable to tell whether or not the French "interfered" as De asserted, but he says it is clear that the crisis has been triangular among Bao Dai, Huu, and the French.

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Gullion believes a new Cabinet would rest on a narrow base, only grudgingly accepted by Bao Dai and at the mercy of the strong Dai Viet minority. Bao Dai evidently believes he can dissociate himself from an unpopular government by continuing his aloof tactics; Bao Dai also could precipitate the fall of such a government by pulling out the Dai Viet representatives.

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GENERAL

- 1. Embassy Moscow's analysis of Stalin interview--US Embassy Moscow, in commenting on the 16 February Stalin interview in Pravda, expresses the view that the most significant aspect of the interview is the discussion of the inevitability of war. Pointing out that Stalin declared war can become inevitable if "the deception practiced by warmongers" is successful, the Embassy remarks that this constitutes a notice to the Soviet people and others that war is a possibility.

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The Embassy considers that the interview as a whole may have been calculated to: (a) establish a favorable popular attitude toward the Soviet position prior to the prospective CFM exploratory talks; (b) give new momentum to the "peace drive" on the eve of the World Peace Council meeting; (c) demonstrate the "reasonableness and righteousness" of Soviet policy for the benefit of peoples in the Soviet orbit and wavering Communists abroad; (d) nourish popular dissatisfaction in the West over the economic burdens of rearmament; and (e) widen the split now evident in the UN between Asiatic and NATO countries.

The Embassy comments that in this interview Stalin has permitted his reputation for superior wisdom to become involved in much more sophistry than previously. This may reflect a greater degree of Soviet vulnerability on the issues involved; it may reveal a feeling on the part of Soviet leaders that Stalin's authority is the margin needed to assure popular support abroad for Soviet foreign policy; or it may reflect a Soviet belief that Stalin's intervention will cause sufficient confusion to pave the way for success in any adventure to be undertaken in the near future.

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Looking at the question of what strategy is desirable for the US and the "free world," in the light of Stalin's pronouncements, the Embassy observes that Stalin has attempted to regain a measure of the diplomatic initiative wrested from him through effective inauguration of a Western defense program and that it is consequently important that the program be continued vigorously.

EUROPE

2. YUGOSLAVIA: Tito warns Communists to accept policy-- US Embassy Belgrade, in commenting on a speech by Tito before a Communist Party group, notes that Tito warned Yugoslav Communists to accept Yugoslav foreign policy and declared that dissension on this point "would not be tolerated." The Embassy observes that there is probably a minority among Yugoslav Communists who find it difficult to accept a Yugoslav-Western rapprochement and that this speech was aimed at such elements. The Embassy has long felt some danger that Tito, in reorienting the Yugoslav Government toward the West, might get too far ahead of the Communist Party. It is now apparent that the Party leadership is aware of the problem and has taken steps to meet it.

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FAR EAST

3. CHINA: Reported Russian military control in Peiping-- The US Air Attache in Taipei transmits a report from a source in Peiping that Russian officials there called a meeting on 6 February of the Chinese responsible for

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garrison control of the Peiping area and told the Chinese that the military control in the Peiping area was too weak. The Chinese Commander reportedly stood up to defend his position and was told to sit down and shut up. According to this report, the Chinese were then told that a Russian Commander would give orders in the Peiping area in the future. The Chinese made no open protest but deeply resent such control by the Russians.

Source also reported that several Chinese representatives who returned to Peiping from the recent Moscow Conference said that the Korean cease-fire discussions have closed, with the conclusion that no further cease-fire proposal will be presented to the UN.

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GENERAL

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1. Possible warning to USSR against attacking Yugoslavia--
US Embassy Moscow, in weighing the pro's and con's of a further Western warning to the USSR and the Satellites against launching an attack on Yugoslavia, comes to the conclusion it is probably undesirable at this time to make a pronouncement. The Embassy recognizes the apprehension of British, French, and Italian representatives in Moscow over the possibility that considerable doubt exists in the minds of Soviet planners as to whether the Western Powers would react vigorously with military force against a Soviet attack on Yugoslavia. The Embassy believes, however, that a categoric public announcement would tend to "engage Soviet prestige" and would therefore seem likely to increase tensions. The Embassy further considers that secretly warning the USSR would be of "doubtful wisdom" because of the possibility of inadvertent leaks and subsequent confusion. The Embassy also questions the advisability of giving Tito "a blank check" through a warning to the USSR.

Concerning the possibility of Soviet or Satellite attack on Yugoslavia in the near future, the Embassy reports it has no information to suggest any greater imminence of such an attack. The Embassy notes, however, the recent British withdrawal, at the NAT Council of Deputies, of their previous estimate that a Satellite attack on Yugoslavia is improbable until after the 1951 training season and refers to information pointing to an increase in the tempo of Satellite military activity. In these circumstances, the Embassy believes it may be urgently necessary for the US and the West to consider what the military reaction of the West would be to an attack on Yugoslavia.

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2. French-Italian conference on foreign policy--In forwarding a statement of the results of the recent conference between the foreign ministers of France and Italy, US Embassy Rome comments that the best result of the conference, from the US point of view, may be that it disclosed no lessening of French-Italian support of the primacy of NATO objectives over the long-range problems of European unification. The Embassy also believes that the conference has strengthened the Italian Government by giving it an appearance of pursuing an independent foreign policy, with the promise of French support of Italian views in international forums.

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EUROPE

3. FRANCE: Stability of government deteriorating--US Embassy Paris reports that the stability of the Pleven Government has deteriorated in past weeks and attributes this trend to the reluctance of the coalition parties to compromise on their difficulties. The Embassy believes there is not much time for the government to maneuver a way out of the situation and points out that it is faced simultaneously with two exceptionally tough problems: electoral law reform and the choice of measures to cope with the economic imbalance created by the West's rearmament program. The Embassy considers that the most ominous sign has been the growing indifference of the coalition partners to the fate of the present government, with some members of almost every party declaring that the present Assembly itself is "worn out" and elections should take place soon. The Embassy feels that in this atmosphere much depends on the will, skill, and perseverance of Pleven and on President Auriol's continued intention to accept the government's resignation only if it is overthrown by Assembly vote and not as a result of the resignation of the ministers of one party.

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GENERAL

1. Nehru's views concerning Communist aggressiveness--
 US Ambassador Henderson in New Delhi reports that in a 20 February conversation which "lasted hours" Prime Minister Nehru displayed more friendliness and seemed to speak with more frankness than in any previous talks. Henderson says, however, that the conversation contained little that was new and Nehru's general theme was that he is not convinced of the "inherent aggressiveness of international Communism." Nehru said both sides, the international Communist world and the Western world, suspect the other of aggressive intent and are preparing to resist. In this situation, India's policy is to restore confidence and to persuade each side the other has no aggressive intentions.

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Nehru believes that arming Germany or Japan might well frighten international Communism and thus precipitate adventures on the part of the USSR or Communist China which might lead to war. He does not believe the Soviet bloc would risk world war by attacking either Germany or Japan, if they were neutralized and left unarmed. He considers that settlement of the Japanese problem in a manner agreeable to Communist China and the USSR is a necessary part of a general Far East settlement.

EUROPE

2. GERMANY: Adenauer-Schumacher views on defense--The US High Commission in Germany transmits its comments on the recent discussion between Chancellor Adenauer and Socialist leader Schumacher on the basic issues facing West Germany. According to the High Commission, the Socialists'

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basic position on defense still differs substantially from that of the government. Adenauer is apparently convinced that the USSR is not ready to start World War III or to invade West Germany; Schumacher fears that such an attack might be "provoked" if West Germany were to make a "premature" decision on its defense contribution, that is, in the absence of sufficient Allied strength in Germany. Schumacher reportedly shares Adenauer's opposition to a solution of a unified and neutralized Germany through a four-power conference; however, Schumacher realizes that West Germany must be prepared to accept such a decision if it is achieved by the conference.

NEAR EAST - AFRICA

3. **FRENCH MOROCCO: Crisis with French not settled**--US Consul McBride in Rabat reports that contrary to previous information French-Moroccan relations appear still to be in a turmoil. According to McBride, the French have apparently abandoned their efforts to overthrow the Sultan of Morocco and are now reportedly threatening to ignore the Sultan and force a rupture of relations with the Moroccan Government if concessions are not forthcoming. S/TS

FAR EAST

4. **INDOCHINA: Views on possible negotiations**-- A French Embassy official in London has expressed the view to the US Embassy that the situation in Indochina, like that in Korea, is now approaching a stalemate and that the establishment of a situation of strength in Indochina might help create an atmosphere conducive to negotiations, presumably with the Chinese Communists. The French diplomat told Embassy London that S/S

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if General de Lattre got the reinforcements he is asking for (understood to be 10 battalions), de Lattre could probably maintain and improve his present relatively favorable position. According to this official, the French are under no illusions concerning Chinese Communist aid to the Viet Minh, but they are as a matter of policy attempting to play down any reference to Chinese assistance and to ignore Chinese intervention as long as possible. Although de Lattre continues to hope it may be possible to engage in on-the-spot negotiations with local Chinese authorities, he has come to realize that the initiative, if any, must come from them.

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GENERAL

1. No unusual Soviet troop movements in Rumania--In response to a query from the Department of State concerning reports of heavy Soviet troop movements in Rumania and the possibility of an attack on Yugoslavia about 1 March, US Embassy Bucharest replies it has no evidence of any unusual troop movements in Rumania. The Embassy has received similar negative reports from British, Italian, French, Austrian, Yugoslav, Swedish, Turkish, and Israeli representatives in Bucharest. The Embassy does have reliable reports of "many tanks and considerable activity" among Soviet forces at Timisoara and other places near the Yugoslav frontier, but considers these attributable to the normal operations of the one or two Soviet divisions which have been stationed in that area for some time. The Embassy regards the recent rumors of Rumanian-Yugoslav tension as "likely planted."

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US Embassy Budapest, in response to the same query from the Department of State, reports it has seen no signs of unusual activity.

2. Poles woo Latin American diplomats in Brussels--US Embassy Brussels reports that the Polish Minister there recently entertained all chiefs of mission of those Latin American countries with which Poland has diplomatic relations. During this occasion, the Polish Minister reportedly harangued the Latin Americans along the lines of the Soviet "partisans of peace" campaign and stressed that Stalin's Pravda interview was based on a sincere desire for a lessening of tensions in the world. According to

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an account by the Uruguayan Minister, however, this attempt to influence the Latin American diplomats "backfired" when the Polish Minister asserted that their countries had permitted themselves to be made dupes of the US. This remark aroused the mission chiefs to tell the Pole in "no uncertain terms" that US and Latin American representatives consulted on terms of equality and that any joint policies were certainly not the result of submission by other American representatives to US dictation.

FAR EAST

3. INDOCHINA: Chinese Communist capabilities increased--
The US Military Attache in Saigon considers, judging from recent "fairly well verified" reports that the Chinese Communists are reinforcing the Indochinese border areas, that the Chinese Communists are greatly intensifying their capabilities to intervene without warning in Indochina. He believes the period just before the rainy season (1 April-15 May) to be the most likely for such action. The MA adds that the French are apparently confident of holding against Viet Minh efforts but are decidedly uneasy regarding possible Chinese Communist intervention.

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EUROPE

1. YUGOSLAVIA: British do not expect attack before summer--
 The US Military Attache in London reports that the British War Office has made a study of recent reports indicating an increased possibility of an attack on Yugoslavia and has concluded that "in default of confirmation, an attack on Yugoslavia before early summer is unlikely." The War Office cites as its reasons for this conclusion that: (a) the Satellite armies will not have had time before then to absorb the new Soviet equipment being received; and (b) a projected "Joint General Staff of the Soviet-Satellite countries" is reportedly scheduled to hold its first meeting on 20 March 1951.

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Allen in Belgrade foresees no imminent attack--
 US Ambassador Allen in Belgrade submits his views on the possibility of an attack on Yugoslavia. Warning that the Embassy has few solid facts and no knowledge of military activity in the Satellite states indicating preparation for attack, Allen says he is inclined to doubt, from a purely political point of view, that there will be open aggression against Yugoslavia in the near future. Allen reasons that Tito has kept his status as a Communist and a neutral sufficiently clear to make any attack on him appear as flagrant aggression in the eyes of the world, including the majority of those who, like the British Labor Party, are still unable to perceive "a clear-cut case" of aggression in Korea. Allen grants "it is dangerous to presume" that the Cominform leaders will act logically, but he retains the belief that West Germany is more likely than Yugoslavia to be the next point of Cominform aggression in Europe. Tito has told Allen that if the Kremlin decides on an attack elsewhere in Europe, and endeavors simultaneously

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to keep Yugoslavia neutral, he will "participate with all his force" in opposing aggression anywhere in Europe. Allen comments that he does not have "full confidence" in this protestation, but points out that even a benevolently neutral Yugoslavia would be of great benefit to the West.

2. FRANCE: Burden of Indochina operation growing--US Embassy Paris foresees difficulty for the French Government in undertaking the additional burdens of the projected 1951 Indochina program, in view of new budget demands for Western European defense and for such increased domestic expenditures as import subsidies and family allocations. In this situation, the Embassy believes that once again serious doubts will arise in the Cabinet over whether France can continue to give a blank check to bolster the Indochinese economy. The Embassy believes that if the French Government actually turns over economic control to the Associated States, as determined by the Pau Conference, France will lose its quasi-monopoly on the Indochinese market and some prestige and influence in Indochina. The Embassy believes, however, that no matter how unpleasant the change may be for the French after their tremendous investment in Indochina, the French Government cannot avoid the hard fact that the growing burden of the Indochinese operation is beyond the capacities of the French nation if it is to keep its own economy in order and make its necessary contribution to the defense of Western Europe.

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FAR EAST

3. INDOCHINA: New government received "tepidly"--US Ambassador Heath in Saigon reports that the new Viet Government has now taken over and that its reception by the public

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has been at best "tepid." Heath states that Bao Dai's acquiescence to the new Cabinet, which accomplishes none of the purposes of his national union project, appears to be a complete abandonment of his brief essay at real leadership. Heath believes there is not one figure in the Cabinet capable, on the basis of record, of providing popular inspiration or enlisting public enthusiasm; the majority of the 16 ministers are generally believed, or suspected of being, strongly pro-French or subservient to French interests. However, Heath thinks it is premature to write off the Huu Government. He also does not believe that the opposition will have early success in ousting Huu or that scattered elements of the opposition will foment popular disorder or defect to the Viet Minh. The Ambassador notes that none of the events since last December--the Pau agreements, transfer of revenues, the decision to activate a national army, Bao Dai's appeals for unity and support, de Lattre's dynamism, and French victories in the north--has had an appreciable impact on the Viet political mind.

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EUROPE

1. **GERMANY: Adenauer-Schumacher reach unified view--**
The US High Commission in Bonn expresses the view, after conversations with Socialist leader Schumacher and a representative of Chancellor Adenauer, that despite the continued existence of other differences, Schumacher and Adenauer are prepared to maintain a solid front against Soviet-East German politico-propaganda attacks. The Commission also believes they will easily command a decisive majority in the Bundestag in support of their position in the debate on the method for answering the recent East German appeal for German unity. Adenauer has accepted Schumacher's proposal that a written request be made asking the four powers to establish a basis for free all-German elections at the Conference of Foreign Ministers and that a strong propaganda line be developed challenging East Germany to do the same if it is really interested in German unity. The Commission has learned that every effort will be made to hold the final Bundestag meeting before the 5 March four-power preliminary meeting in Paris.

NEAR EAST-AFRICA

2. **FRENCH MOROCCO: New agreement between French and Sultan--**
US Consul McBride in Rabat has been informed by a French official that another agreement has been reached between the Sultan of Morocco and the French Residency. According to McBride's informant, French officials now regard the crisis as ended. McBride comments that it probably is. He remarks that if so, the result is that the French have received substantial satisfaction concerning their demands while the Sultan has been spared deposition, complete isolation from governing the country, and the stigma of denouncing the Nationalist movement himself.

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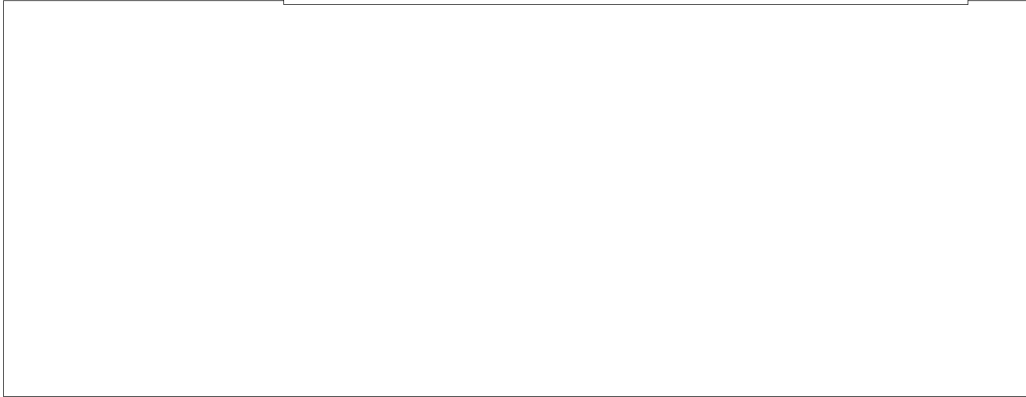
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FAR EAST

3. British estimate of Far Eastern situation--US Consul General Langdon in Singapore transmits the British appreciation of the situation in the Far East for the week ended 22 February. According to this account, the British consider that the recent Chinese Communist counterattacks in Korea did not constitute the expected main offensive



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