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878

GENERAL

1. Israel orders withdrawal of units from Egypt--US Representative McDonald in Tel Aviv reports that in accord with the Department of State's instructions he has informed the Israeli Government of the US views concerning the Israeli invasion of Egypt. The Israeli Foreign Office has advised McDonald that orders have been issued for the withdrawal of Israeli units from Egyptian territory.

S-7S
S-7S
S-S

US urges British to restrain Egyptians--The Department of State has expressed to US Embassy London its strong belief, in view of Israel's order to withdraw all troops from Egyptian soil as a result of US representations, that the British should impress on the Egyptians the necessity of refraining from further attacks similar to the 1 January attack on Tel Aviv. The Department fears that otherwise a chain of reprisals may jeopardize the progress which has been made so far toward a final settlement. The Department advises the Embassy that this view has been officially conveyed to the UK through the British Embassy in Washington.

British reportedly will send troops to Transjordan--US Representative Stabler in Amman has learned from officials of the British Legation that the UK has decided to send "a unit of ground forces" to the Transjordan port of Aqaba. Stabler understands that the British will announce that the troop movement is in response to Transjordan's request, based on the Anglo-Transjordan Treaty.

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879

GENERAL

1. US comments on Israeli reaction to representations--The Department of State has informed US Representative McDonald in Tel Aviv of its surprise at the comments made by Israeli officials on the US representations concerning Israel's invasion of Egypt. The Department instructs McDonald to inform the PGI (Provisional Government of Israel) that the US has important interests in the Middle East and that the Israelis therefore have no just grounds on which to resent the fact that the US should react strongly to any action by either Israelis or Arabs which might threaten to enlarge the Palestine conflict. McDonald is also to inform the PGI that the US is making strong representations to Egypt concerning Egyptian hostilities against Israel.

S-TS

US representations to Egypt--The Department of State has instructed US Embassy Cairo to inform King Farouk of the deep concern of the US over the renewed outbreak of hostilities between Israeli and Egyptian forces in the Negeb and to express the conviction of the US Government and people that the time has come to make peace in Palestine. The Embassy is to point out that the Provisional Government of Israel, in response to US representations, has promised to withdraw its forces from Egypt and that the US expects Egypt to act with "wise restraint" concerning further hostilities against Israel. The Embassy is also to inform Farouk that the US would be encouraged if the Egyptian Government would promptly undertake armistice negotiations with Israel as recommended by the Security Council on 16 November.

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NEAR EAST-AFRICA 028

1. PALESTINE: Reported progress in Israeli-Transjordan talks-- US Representative Stabler in Amman reports that "good progress" is apparently being made in Israeli-Transjordan negotiations and that the next meeting will be held in Jerusalem on 6 January. Stabler adds that the Israeli attitude was apparently more cordial at the last meeting than in previous sessions.

S-5

FAR EAST

2. INDONESIA: Dissolution of GOC recommended--US Representative Cochran in Batavia considers that the dissolution of the UN Good Offices Committee (GOC) should be effected as soon as possible and has suggested to the Department of State that he be authorized to urge the GOC to recommend its own dissolution in a 6 January report to the Security Council. Cochran believes that: (a) even as a reporter the GOC can now function only under Dutch sufferance and only within such limited zones as the Netherlands may consider expedient; and (b) further activities of the GOC may seem to condone Netherlands action.

S-5

3. CHINA: Chiang Kai-shek's retirement plans--US Ambassador Stuart has learned that Chiang Kai-shek has twice reaffirmed since 1 January to Vice President Li Tsung-jen his intention to retire. According to these reports, which Stuart is convinced are factually authentic, Chiang expects Li to act for him during a prolonged but not necessarily permanent retirement. If the Chinese Communists still prove intractable in peace negotiations, Chiang reportedly intends to return and carry on the struggle. Chiang is said to plan to go first to his home in Chekiang Province and later, if the military situation necessitates, he will withdraw to Taiwan where he intends to locate the Chinese Navy, the Air Force, and the Government's movable assets. The US Consul General in Taipei has been told that Chiang will definitely move to Taiwan and will attempt to continue resistance there as a "National" Government if the Communists reject peace negotiations.

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881

GENERAL NO. 021

1. Scandinavian "showdown" on Atlantic Pact imminent--US Ambassador Bay in Oslo reports that the Prime Ministers, Foreign Ministers, and Defense Ministers of Norway, Sweden, and Denmark are now engaged in discussions which may result in a "showdown" concerning the attitude of the three powers toward the North Atlantic Pact. Bay indicates that the Norwegians apparently have called such a meeting at this time in order to enable them to find out where Denmark and Sweden stand before invitations are extended for the Washington talks on the North Atlantic Pact.

S - TS

NEAR EAST-AFRICA

2. PALESTINE: US urges Egypt and Israel to effect cease-fire-- The Department of State has instructed US Embassy Cairo to express to the Egyptian Government the hope of the US that Egypt will not alter its expressed readiness to enter into talks with the Provisional Government of Israel (PGI) even though the PGI did not accept the Security Council's cease-fire before the 5 January deadline set by Egypt. The Department considers that a reasonable opportunity should be given the PGI in which to accept the Egyptian offer. In a parallel message to US Representative McDonald in Tel Aviv, the Department has instructed McDonald to inform the PGI that the US trusts that it may be still possible for Israel and Egypt to enter into negotiations following a prompt and effective cease-fire. The US representatives in both Cairo and Tel Aviv are to point out that the US is making a similar representation to each government.

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GENERAL

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882

NO. 028

1. US position on Berlin currency--The Department of State has informed US Embassy London that the US still believes that the reply of the western powers to the UN Technical Committee should point out the inapplicability of the Committee's plan for currency reform in Berlin in view of the current situation resulting from Soviet action in splitting the city administration. The Department adds that if this approach is unfavorably received by the British and French, the US is prepared to consider the acceptance of the Soviet mark on the basis of its autonomous use in the three western sectors. The US would make such acceptance conditional upon British and French willingness to agree formally to the establishment of the western mark by 30 January 1949 in the western sectors, if there has been no Soviet agreement to the western counter-proposal by that date. The Department believes that the reply of the western powers to the Technical Committee should declare that: (a) this counter-proposal is the only possible basis for western use of the Soviet Zone mark; and (b) unless there is prior agreement along these lines, the western governments will soon be compelled to make a complete change-over to the western "B" mark in their sectors.

S-TS

2. Portuguese views on Atlantic Pact--US Ambassador MacVeagh in Lisbon has transmitted the text of a memorandum which the Portuguese Foreign Office has sent to the UK concerning the views of the Portuguese Government on a North Atlantic Pact. The Portuguese Government has expressed its emphatic view that some such pact is indispensable to the maintenance of peace but has indicated that Portugal: (a) regards as impracticable any pact which would become linked to a close European federation; (b) does not favor the use of such a pact primarily for the establishment in peacetime of military bases on Portuguese territory; and (c) believes that the Spanish question must eventually be reconsidered in connection

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with a North Atlantic Pact. The Portuguese Foreign Minister has told the British Ambassador in Lisbon that he does not believe that the stationing of foreign troops on Portuguese territory could be considered, except in the Portuguese islands, until Spain becomes a signatory to the pact.

(CIA Comment: CIA considers that Portugal is not likely in the future to deviate from these views which are in accord with long-standing policies concerning the protection of Portuguese sovereignty and recognition of the geographic unity of the Iberian Peninsula.)

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GENERAL

- 1. Premier Spaak's views on Israeli aggression--Belgian Premier Spaak has expressed to US Ambassador Kirk in Brusselis his concern over the Palestine situation, declaring that the "small military successes" of the Israelis have gone to their heads. Spaak regards the recent advance into Egypt as very dangerous and expresses his understanding of the UK's concern over the incident. Spaak believes that Israel's "martial ventures" must be ended as quickly as possible, and he suggested that the US would do well "to put the brakes on the Provisional Government of Israel."

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the advancement of closer economic and political integration of western European nations as these nations themselves think practicable; (b) the nature and location of facilities necessary for the security of the North Atlantic area could only be determined in the future by consultative machinery in which all parties would be represented; and (c) the US fully realizes the importance of Spain to Portugal but believes that non-inclusion of Spain at this time should not be a deterrent to Portuguese participation in such a pact.

FAR EAST

4. CHINA: Nationalists ask mediation by major powers--The Chinese Acting Foreign Minister handed similar aide memoires on 8 January to the US, French, Soviet and British ambassadors inviting their governments to mediate the Chinese civil war. US Ambassador Stuart reports his agreement with French and British ambassadors that by this move the Chinese Government is playing for time and is trying to avoid the loss of face which would be involved in a direct approach to the Communists. The ambassadors point out that if the Government were sincerely interested in such negotiations, it could undertake them without outside assistance. The three ambassadors further believe there is little chance of successful mediation because it is unlikely that the USSR would participate in good faith.

5-75

Chiang's resistance strengthened--US Embassy Nanking reports that the vitriolic Communist rejection of recent Nationalist peace offers has strengthened Chiang Kai-shek's conviction that true peace negotiations with the Communists are impossible and that the Government must consequently continue the fight "all the way to Taiwan" if necessary. The Embassy considers the most likely immediate developments to be: (a) the resumption of fighting by the Communists; (b) a further deterioration of the Nationalist will to fight; and (c) the continued authority of Chiang with a resultant paralyzing effect on Li Tsung-jen and others in the "peace group."

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884

GENERAL

NO. 628

1. Belgian views on North Atlantic Pact--Concerning plans for a North Atlantic Pact, a high Belgian official has informed US Embassy Brussels that the Foreign Office: (a) believes the geographic scope of the pact should be "European, North American, and the Atlantic area lying between;" (b) opposes the inclusion of Italy, North Africa, and other Mediterranean areas and believes a Mediterranean regional arrangement should eventually be established; (c) prefers to have the pact come into force only upon ratification by all signatories, including the US and France; and (d) hopes for a treaty of the longest possible duration.

S - TS

2. Scandinavians to seek delay in bids for Washington talks--According to US Ambassador Mathews, Swedish Foreign Minister Uden has told the Dutch Minister in Stockholm that Norway and Denmark have both agreed to ask the US not to extend invitations for Scandinavian participation in the forthcoming North Atlantic Pact talks until current Nordic defense talks and subsequent political discussions have been concluded, sometime around 1 February. Uden also declared that Sweden would not join any association of western powers and would not join a Scandinavian defense pact which permitted any of its members any outside affiliation.

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3. US views on recent Portuguese memorandum--The Department of State has instructed US Ambassador MacVeagh in Lisbon to present to the Portuguese Government the following comments concerning its recently expressed views on a North Atlantic Pact: (a) the US favors such measures for

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FAR EAST

3. **CHINA: French favor support of Chinese anti-Communists--**
US Embassy Nanking reports the comment of the French
Ambassador to China, concerning the recent Nationalist re-
quest for mediation, that it is to the French interest to support
any Chinese regime which resists Communism. The French
Ambassador remarked that such a policy was necessary be-
cause of the repercussions which would be created in Indo-
china by a Communist regime in China. He added that even
though anti-Communist resistance would inevitably collapse,
France would gain time by supporting it.

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GENERAL

NO. 028

1. Scandinavian defense agreement tentatively reached--The Danish Foreign Minister has informed US Ambassador Marvel that Norway, Sweden, and Denmark have agreed to form a regional alliance obligating each country to declare war in case of aggression against any one of the three. Marvel was informed that Norway, with Denmark's approval, insisted on adding the "important condition" that participation of these two countries be made contingent upon the willingness of the US to furnish arms to this regional group. Marvel was also told that Sweden's obligations in such a pact would be entirely dissolved if any member joined a North Atlantic Pact.

S-TS

EUROPE

2. ITALY: Government to withhold action on security pacts-- Foreign Minister Sforza has informed US Ambassador Dunn in Rome that although the Italians wish to participate in western defense arrangements and the North Atlantic Pact, the Government is not requesting such inclusion at present because certain governments reportedly oppose Italy's admission. Sforza believes that for this reason Italy should await some expression of favorable opinion from the other western powers. Dunn considers that sympathetic consideration should be given to the possibility of including Italy in the Atlantic Pact.

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(CIA Comment: It is doubtful that the Italian Government could make any military commitments at this time, regardless of the attitude of other western powers toward Italian participation, in view of the strong opposition within Italy toward such commitments.)

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886

NO. 021

GENERAL

1. British views on UN Committee's Berlin plan--Foreign Secretary Bevin has replied to US Embassy London, concerning the recent US suggestion that the UN Technical Committee's proposal for fiscal reorganization in Berlin should be regarded as inapplicable to the situation, that British technical experts consider the Committee's proposal to be workable with appropriate amendments. Bevin reportedly believes that the suggested US counterproposal (providing for acceptance of the Soviet mark on the basis of autonomous use in the three western sectors) is "obviously unacceptable" to the USSR and might enable the Kremlin to place the blame on the western powers for the breakdown of the Security Council's mediation efforts. Bevin also expressed his fear that neutral members of the SC would react adversely if the western powers rejected the Committee's proposals. Bevin also indicated that British experts in Berlin have reported that "no compelling need" exists for the establishment of the western mark in the western sectors. Bevin asked the Embassy what US intentions in Berlin are and whether the US really wants a settlement.

S-TS

2. Soviet compromise on Berlin dispute believed unlikely--US Embassy Moscow expresses its belief that there is absolutely no indication of any Soviet willingness to reach an agreement on the Berlin dispute at any price which the US could conceivably pay. The Embassy feels that the Kremlin will continue to welcome any delays which do not interfere with the maintenance of the blockade and permit the strengthening of the organization of the German Communist puppets. The Embassy also believes that the USSR is likely to "talk business" only if the Kremlin is convinced that the western powers can "decisively win the battle for Berlin."

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887

GENERAL

1. Egypt to stress military aspects in Rhodes talks--US Charge Patterson in Cairo has been informed by Prime Minister Hadi Pasha that Egypt considers the Rhodes conversations with Israel to be designed primarily to implement the Security Council resolutions of 4 and 16 November 1948 rather than to obtain a general political settlement. According to Patterson, Hadi gave no indication that the RAF incident would have any direct bearing on the Rhodes talks and allowed it to be understood that if discussions on the military level proved productive, Egypt might then consider continuing the talks on a wider basis.

S-TS

2. Icelandic views on Atlantic Pact membership--US Minister Butrick in Reykjavik has been informed by the Icelandic Foreign Minister that he felt it advantageous to Iceland to be an original member of a North Atlantic Pact, but that a decision cannot be reached until more concrete information is available concerning the increased security Iceland will obtain from the pact as well as the obligations Iceland will have to assume. The Foreign Minister added that Norwegian and Danish participation would be necessary in order to make the pact politically palatable in Iceland.

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(CIA Comment: CIA considers it improbable that Iceland will announce its decision concerning the pact prior to action by Norway or Denmark.)

3. US declines Chinese mediation request--In reply to the 8 January Chinese request to the Four Powers for mediation of the civil war, the Department of State has instructed US Embassy Nanking to inform the Chinese Foreign Minister that the US believes it would serve no useful purpose by "attempting to act as an intermediary in the present situation."

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informed the Ambassador that the US view continued to be that Israel was entitled to the boundaries assigned it by the UN partition resolution of 29 November 1947, although the Israelis might have to relinquish part of the Negeb if they wished to retain territory conquered in the north. (According to the UN partition plan, the Negeb-Transjordan road crosses both Arab and Israeli territory.) The Acting Secretary expressed the view that "real security" lies, not in any particular road in the Negeb, but in encouraging the development of a western outlook in Israel.

Bevin also wished to know whether the US was prepared to back the various Security Council cease-fire resolutions. The Acting Secretary declared that although these resolutions are certainly valid in their application to a momentary military situation, they do not delineate a final political settlement, as Bevin apparently considers. He concluded that if the UK attempted to arm the Arabs, such action would be in violation of the SC resolutions and would make it necessary for the US to consider lifting its arms embargo.

3. Chinese Nationalists may seek mediation by Security Council--

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The Chinese Ambassador in Washington has told Acting Secretary Lovett that if the US, the UK, the USSR, and France are unwilling to grant the Chinese 8 January request for mediation, the Government will consider the question of presenting the matter to the UN Security Council. The Acting Secretary has informed US Ambassador Stuart in Nanking that the Chinese Ambassador apparently regarded the 8 January request as an attempt to put the US on the side of the National Government against the USSR and the Chinese Communists.

Unofficial Soviet reaction to mediation proposal--

US Embassy Nanking has learned that the Soviet Ambassador there has unofficially expressed the view that the USSR is not interested in the Chinese proposal for mediation of the civil war.

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GENERAL

1. US urges definitive Berlin action--The Department of State has given the British and French Ambassadors in Washington a memorandum expressing the US view that the deteriorating situation in Berlin requires prompt action and that the US counterproposal, providing for the possible use of Soviet currency in Berlin, is the only practicable solution. The US memorandum strongly urges the UK and France to consent to the introduction of the western mark by 30 January if a minimum solution along the lines of the US counterproposal is not accepted by the USSR prior to that date. The memorandum indicates that if the three western powers are unable to reach agreement concerning the introduction of the western mark, the US will be obliged to consider what action it must take to protect itself against further drain on the resources of western Germany.

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Meanwhile, the Department of State has authorized US Representative Knapp to express to the Security Council's Technical Committee in Geneva the view that the US counterproposal represents the only basis for the use of the Soviet Zone mark.

2. US views on Palestine settlement--The Department of State has informed US Embassy London that the British Ambassador in Washington, under the personal instructions of Foreign Secretary Bevin, recently requested a clear statement of US views on a final territorial settlement in Palestine in the light of common US-UK strategic interests in the Middle East. Bevin was particularly interested in ascertaining the US attitude toward the maintenance of strategic land communications between Egypt and the other Arab states, specifically the road from the Negeb to Transjordan. Acting Secretary Lovett

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NEAR EAST-AFRICA

1. PALESTINE: Israelis urge immediate settlement for Jerusalem--
US Consulate General Jerusalem reports that an Israeli representa-
tive has expressed to the French Consul General his pessimism
regarding current talks on Jerusalem between Israel and Trans-
jordan and Israel's desire for French and US pressure to secure
a prompt separate settlement on the status of the city. According
to the Consulate General, the Israeli representative indicated that
his government was willing to make specific territorial concessions
in order to secure a quick settlement, but added that Israel was
capable of solving the problem by force, if necessary. The Con-
sulate General expresses the belief that: (a) the proposed division
of the city is "extremely favorable" to the Arabs; (b) the Jews,
although genuinely desirous of peace, will resort to force if the
prospects for an immediate settlement do not improve and (c) the
US should, therefore, seize the present opportunity and press for
a prompt settlement of the Jerusalem problem.

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GENERAL

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1. Dutch views on proposed SC resolution on Indonesia --US Embassy The Hague has been told by the Netherlands Foreign Minister that it would be "absolutely impossible" for the Netherlands Government to accept the newly-proposed Security Council resolution on Indonesia and that the Dutch "would rather starve" than accept its terms. The Foreign Minister emphasized that "he very much feared" the Netherlands would withdraw from the UN if the resolution were passed.

(CIA Comment: CIA believes that the Netherlands Foreign Minister is exaggerating Dutch reaction to the resolution in the hope of forestalling strong SC action. CIA considers Dutch withdrawal from the UN most unlikely.)

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18 January 1949

THE SOVIET PROPAGANDA SHIFT

The reoccurrence of a Soviet propaganda "peace offensive" does not reflect a sincere desire by the Kremlin to negotiate outstanding east-west differences, except on Soviet terms. Neither does the Kremlin expect the US or the western governments to give serious consideration to the avowed Soviet desire for east-west agreement.

The Kremlin is attempting to weaken the position of the western powers and to delay positive western action by propaganda designed to: (a) create the illusion that the western powers, led by the US, are blocking an equitable solution of east-west problems; (b) ostensibly alleviate world tension in an attempt to persuade the new US Congress that current proposals for defense and foreign aid expenditures are unnecessary; (c) instill doubt and hesitation, both in the US and in western Europe, concerning the need for participation in the proposed Atlantic Pact; and (d) enable the Communist Parties in western Europe to regain some of the prestige and popular support lost during the recent months of direct action.

In making this tactical shift in its propaganda approach now, the Kremlin probably desired to take advantage of: (a) the convening of the US 81st Congress; (b) the appointment of a new US Secretary of State; (c) German dissatisfaction with, and western European misgivings over, the recent Ruhr decisions; and (d) the current discussions concerning the Atlantic Pact. Adoption of this propaganda line, however, has not committed the USSR to any specific course of action. The USSR can be expected to emphasize this approach as long as the Kremlin considers that it is contributing to the long-range Soviet program to defeat western recovery and defense efforts. On the other hand, the USSR will probably make still another tactical propaganda shift if the present approach encounters vigorous resistance.

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NO. 028

GENERAL

1. Responses to UN proposals on Berlin currency--US Representative Knapp in Geneva reports that the British and French did not join with the US in rejecting the UN Neutral Committee's proposal on the Berlin currency question. Knapp indicated that although the British and French accepted the Committee's plan, subject to certain technical objections, they did request the Committee to consider the US counterproposal. According to Knapp, the Soviet delegate reportedly suggested only a few amendments to the Committee's draft proposals, leaving the impression with the Committee that the amended proposals would be acceptable to the USSR. The US representative added that the US reply has given "great shock" to the UN Committee, in view of the Soviet attitude and the moderate response by the British and French.

S - TS

2. US views on Indochinese settlement--The Department of State has informed US Embassy Paris, regarding settlement of the Indochina problem, that the US desires a French agreement with Bao Dai or any truly nationalist group which has a reasonable chance of success in Indochina. The US, however, cannot at this time irretrievably commit itself to the support of a native government which, by failing to gain popular backing, might become a virtual puppet government supported only by French military forces.

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3. Possible Norwegian adherence to Atlantic Pact--US Ambassador Bay in Oslo expresses the belief that Norway is the key to Scandinavian participation in a North Atlantic Pact and that "loss of Norway would threaten the entire concept of a North Atlantic community of nations." Bay adds that the slightest encouragement by the US of the current Danish argument that a neutral Scandinavian bloc would act as a deterrent to Soviet aggression might not only lose Denmark as a prospective member of a North Atlantic Pact but would undermine the whole Norwegian position.

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NO. 629

GENERAL

CIA-S
S-TS

1. Views on inclusion of Italy in Atlantic Pact--US Embassy
London has been told by an official of the British Foreign Office that the British will not object if the US wants Italy included in the Atlantic Pact but that both Bevin and Schuman, at their recent meeting, doubted the desirability of admitting Italy. According to the official, [redacted] the French lost enthusiasm for Italian participation when it became evident that a case could not be made for the inclusion of North Africa. US Ambassador Kirk reports that Belgian Premier Spaak also doubts the wisdom of including Italy in the Atlantic Pact, particularly because Italy's admission to the Brussels Pact would logically follow.

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(CIA Comment: The Brussels Pact powers oppose the inclusion of Italy in the Atlantic Pact largely because they fear that they would then receive a smaller share of available US military aid.)

2. Danish desire to join Atlantic Pact--Danish Foreign Minister Rasmussen has informed US Ambassador Marvel in Copenhagen that a final decision in the defense discussions between the Scandinavian countries will be made on 28 January. Rasmussen expressed his belief that Denmark would then undoubtedly seek to join the proposed Atlantic Pact.

S-TS

3. Closer US-UK understanding on Palestine envisaged--US Charge Holmes in London expresses the belief that President Truman and the Acting Secretary of State, by their recent talks with the British Ambassador on the Palestine issue, have made a "genuine contribution" to US-UK understanding

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NOTE: The next regular issue of the CIA Daily Summary will be distributed the morning of 22 January.

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and have made US thinking clearer to the British Cabinet than ever before. Holmes feels that as a result of the authoritative and unequivocal statement of US policy by the President and the Acting Secretary, sympathetically transmitted by the British Ambassador, the British now know "where they stand" and realize that the US has a "reasoned point of view" on the Middle East. Holmes adds that these statements have also ended Foreign Secretary Bevin's hopes of obtaining US-British cooperation on British terms. Holmes hazards the guess that the UK will do as little as possible about Palestine in the immediate future and will progressively but quietly unbend toward the Provisional Government of Israel.

FAR EAST

4. **CHINA: Government withdrawal to Canton**--The Chinese Foreign Office has notified US Ambassador Stuart that the National Government will begin moving to Canton on 21 January. The Foreign Office has officially requested Stuart to follow the Government to that city.

S - 5

(CIA Comment: Although the National Government will try to remain on the Chinese mainland as long as possible, it will continue to develop Taiwan both as a military base and as a final refuge.)

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GENERAL

1. Italy desires invitation to Atlantic Pact--US Embassy Rome has been unofficially informed by the Italian Foreign Office that the Italian Cabinet unanimously desires that Italy be invited to join the Atlantic Pact. The Foreign Office expressed the opinion, however, that the Italian public is not yet fully prepared to accept prior Italian participation in the Brussels Pact, but that such participation would be a logical sequel to Italian entry into the Atlantic Pact. According to the Embassy, the Italian Foreign Office is fully aware of British and Belgian opposition to Italy's inclusion in the Atlantic Pact, but hopes that the US will support an invitation to Italy. The Foreign Office believes that such support would have "the greatest weight" with the UK. *-? ? meanings as*
2. US views on Italy's inclusion in Atlantic Pact--The Department of State has instructed US Embassy Brussels to inform Premier Spaak that although the US still favors inclusion of Italy in both the Atlantic and Brussels Pacts, the US would accept Italian inclusion in the proposed "Council of Europe" as sufficient evidence of close ties with the Brussels Pact countries to warrant Italy's inclusion in the Atlantic Pact. According to the Department, the US Joint Chiefs of Staff feel strongly that omission of Italy from either the Atlantic or Brussels Pacts is militarily unrealistic. The Department considers that the objectives of avoiding an unfavorable Italian reaction and strengthening Italian ties with the west would not be achieved by: (a) admitting Italy to limited membership in the Atlantic Pact; or (b) issuing a statement that the Pact members would react strongly to any attack on Italy.

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3. Belgian concern over European unity talks--A high Belgian Foreign Office official has informed US Embassy Brussels of his fear that no agreement will be reached on European "union" at the forthcoming Brussels Pact Foreign Ministers meeting, and that real progress toward this goal will thus be postponed for another three months. According to the official, although there is general agreement on a European Council of Ministers, the British still strongly oppose a European assembly as favored by France and Belgium, and propose instead a "European Conference" of delegates voting by country instead of individually.

NEAR EAST-AFRICA

4. PALESTINE: UK urges Arab states to seek settlement--
US Embassy London reports that the British Foreign Office has sent a circular message urging the Arab governments to make armistice agreements with the Provisional Government of Israel and then to commence final negotiations, either through the UN Conciliation Commission or directly. According to the Embassy, the British recommended that the Arab states coordinate their policies for this purpose. to ?

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GENERAL

- 1. **Dutch position on SC Indonesian resolution--US Ambassador Baruch The Hague reports that Dutch Foreign Minister Stikker has clearly indicated that the only insuperable objection to the proposed SC resolution on Indonesia is that it implies a reconstitution of the Republic of Indonesia to its former status. Stikker claims that this restoration of the Republic would be ruinous to the entire Dutch position.**

8 - 5

(CIA Comment: CIA believes that the Dutch Government may be forced to modify its stand against a restored Republic by: (a) the continuing rapid deterioration of the Dutch military and economic position in Indonesia; (b) the Dutch Labor Party insistence upon the reestablishment of the Republican Government; and (c) the resolution on Indonesia adopted at the nineteen-nation Asian Conference in New Delhi.)

FAR EAST

- 2. **CHINA: Reported Chinese-Soviet understanding--US Embassy Nanking has learned that Acting President Li Tsung-jen, through an intermediary to the Soviet Embassy in Nanking, has concurred in principle to a draft agreement between China and the USSR on the following points: (a) strict Chinese neutrality in any future war; (b) the elimination of as much US influence as possible from China; and (c) the establishment of a basis of real cooperation between the USSR and China. According to the Embassy, Soviet Ambassador Roshchin has taken this draft agreement with him to Moscow. Meanwhile, Li Tsung-jen has requested the US to issue a statement of approval for his government in order to strengthen the Chinese position in Moscow during Roshchin's visit there.**

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(CIA Comment: CIA believes that, rather than seek to realize its aims in China through Li's government, the USSR will wait for the establishment of a Communist regime which would: (a) ensure not only Chinese neutrality but active Chinese participation on the side of the USSR in a future conflict; and (b) more effectively eliminate US influence from China as well as promote Soviet-Chinese cooperation.)

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A N N X

25 January 1949

THE CURRENT SITUATION IN CHINA

The Chinese Communists will probably soon establish a new government which will have a better claim than any Nationalist group to de facto recognition as the Government of China and which will seek de jure recognition. Organized Nationalist military resistance, on a national scale, has been destroyed and the final outcome of the civil war is no longer in doubt. Although the elimination of anti-Communist resistance in south and west China and in Taiwan is inevitable, obstacles of distance, terrain, and poor communications may require an extended period of Communist effort.

Chiang Kai-shek's "retirement" has left the Nanking Government little bargaining power with which to negotiate a favorable peace settlement with the Communists who are continuing to exert unremitting military pressure on Nanking. The capitulation of the Nanking Government or the complete failure of its peace efforts will probably be followed by renewed resistance by the large number of Nationalist leaders who have little chance of surviving under a Communist regime. All evidence indicates that some of these will form a new Nationalist center of anti-Communist resistance in south China and that Chiang Kai-shek will probably emerge from "retirement" to provide the necessary leadership. Such a development is suggested by: (a) the large-scale withdrawal of Nationalist military supplies and material resources to southeast China and Taiwan; and (b) the reshuffling of key officials in the area in order to place authority in the hands of persons definitely loyal to Chiang. The probable re-emergence of Chiang, who would still retain the title of President as well as the support of many officials in the present National Government, would permit his regime to claim continuing international recognition. This Nationalist group, convinced that World War III is inevitable, would continue to hope for sufficient foreign aid to resist the Communists.

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Despite Chiang's "retirement," the Communists still regard him as their principal enemy. Current Communist propaganda accuses the US and the Kuomintang of plotting to build up south China and Taiwan as bases from which "to destroy the revolution." Communist denunciation of Chiang's retirement as a tactical maneuver inspired by the US also reveals the genuine concern of the Communists over Chiang's prospects, with US aid, for delaying the realization of the Communist program for establishing control over all China.

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GENERAL

1. US stresses importance of Rhodes talks--The Department of State has informed the US Mission in Tel Aviv of recent conversations with the Israeli and Egyptian representatives in Washington. The Department advised the Israeli representative of its apprehension over reports indicating that Israel had postponed evacuation of Egyptian forces trapped at Faluja, despite a voluntary agreement entered into by Israeli and Egyptian delegates at Rhodes for the unconditional release of these forces. The Department also stressed to both the Egyptian and Israeli representatives the hope that neither government would take a position which would cause the armistice negotiations at Rhodes to break down, because the US very much desires a prompt and successful conclusion to the negotiations.

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2. Transjordan prepared to negotiate with Israelis--King Abdullah has informed US Representative Stabler that he is still awaiting from the UN Acting Mediator a formal invitation for Transjordan to send delegates to the Egyptian-Israeli armistice talks at Rhodes. Abdullah declared that if the invitation did not arrive by 29 January, he planned to instruct his government to enter into direct peace negotiations with Israel. Abdullah added that in this connection he had two worries: (a) possible Israeli trickery and intransigence; and (b) his own desire to retain his position in the Arab world. He expressed the hope that with regard to both points he would find "friendship and understanding" on the part of the US and the UK.

CIA-S

3. Views on New Delhi Conference on Indonesia--US Ambassador Henderson in New Delhi reports that, despite the moderation exhibited at the New Delhi Conference, the Asian nations are determined to achieve what they consider to be justice for the peoples of Indonesia. Henderson believes that Asian opponents of moderation and of cooperation with the west will be strengthened if the Conference's recommendations have no effect on the Security Council's actions concerning Indonesia.

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NEAR EAST-AFRICA

3. **PALESTINE: Bunche considers armistice still possible--**
According to US Charge Patterson in Cairo, UN Acting
Mediator Bunche has transmitted in a personal letter his
opinion that the failure to conclude an Israeli-Egyptian
armistice at Rhodes was not due to any lack of good faith
on the part of the Egyptian representatives. Bunche be-
lieves that an armistice can be concluded despite the
narrow and rigid approach taken by the Israelis with re-
gard to the withdrawal of their forces in the Negeb. Bunche
declared, however, that if an armistice is to be achieved,
the Israelis must be persuaded to be more generous and
to cease their attempts to exclude the Arabs from the Negeb.

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GENERAL

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S - S

1. French stress need of new labor international--According to US Embassy Paris, leading French Socialists are increasingly concerned over the failure of British labor to realize the importance and urgency of establishing immediately a new international labor group which would effectively oppose the World Federation of Trade Unions (WFTU), now completely Communist-dominated as a result of the secession of the leading western trade unions. Non-Communist French labor leaders also hope that the CIO and the AFL in the US will appreciate the urgency of organizing a non-Communist labor international.

(CIA Comment: CIA believes that unless a new western-oriented labor international is promptly established, the hard-core Communists in the WFTU will make important gains in the international trade union movement. CIA believes that, in addition to the attitude of British labor, antagonism between the AFL and the CIO is one of the main obstacles to the organization of such an anti-Communist labor international.)

2. USSR rejects US counterproposal on Berlin currency--US Representative Knapp in Geneva reports that the USSR has rejected, as a basis for discussion, the US counterproposal providing for acceptance of the Soviet mark on the basis of autonomous use in the three western sectors of Berlin. The Soviet rejection contended that the US counterproposal did not conform to the basic principles of the 30 August Moscow directive. The Soviet representative in Geneva, however, expressed the belief that, although it required significant amendments and additions, the UN Technical Committee's draft report did conform to the Moscow directive.

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(CIA Comment: CIA believes that Soviet insistence on the 30 August Moscow directive indicates that the USSR will continue to reject any settlement which would protect the interests of the western powers in a split Berlin.)

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supplies be shipped either to China or Taiwan for the Nationalist Government. The JUSMAG Chief expresses the opinion that, in event of the complete collapse of the Nationalist Government, these supplies might fall into the hands of the Communists or be sold by unscrupulous Nationalist personnel in other areas of conflict in Southeast Asia.

Possible uprising in Taiwan--US Consuls General in Shanghai and Hong Kong have been informed by leaders of the Formosan League for Re-emanicipation of an imminent native insurrection on Taiwan designed to forestall further development of the island as a Kuomintang stronghold. US Consul General Shanghai believes that, in view of the large Nationalist forces already established on Taiwan, Taiwanese revolutionary leaders may envisage success in terms less of military victory than of world-wide dramatization of their cause.

(CIA Comment: CIA believes that increasing Taiwanese resentment against the influx of mainland Chinese may lead at any time to spontaneous acts of violence and sabotage. CIA believes, however, that although an insurrection may be planned, Chinese military forces would probably be able to suppress it.)

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GENERAL

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S-75

1. Swedes seeking to delay Nordic defense decision--US Ambassador Marvel in Copenhagen expresses the belief that Sweden, with Danish acquiescence, will attempt to delay a decision on Scandinavian defense arrangements until long after 1 February. Marvel believes that such a delay: (a) would give the Swedish Socialists more time in which to attempt to convert Norwegian and Danish Socialists to a neutral policy for Scandinavia; and (b) may result in a Scandinavian agreement unacceptable to the US. Marvel therefore recommends that the US "torpedo" the Oslo conference by bringing pressure on Norway to withdraw from the conference and then seek immediately an invitation to join the North Atlantic Pact.

S-75

2. US views on allocation of arms--The Department of State has instructed US Embassy London to inform the British Foreign Office, in view of the latter's fear that Italy's inclusion in the Atlantic Pact would divert US arms from the Western Union powers, that the US will be guided in allocating US arms by major strategic considerations and that Atlantic Pact membership will be the most important but not the only factor. The Department added that, in fulfilling the established US policy to prevent Italy from falling under Soviet domination, the US will supply Italy with arms whether Italy is or is not a party to the Atlantic Pact. The Department also expressed the hope that Italy, as a natural member of the western European community, will be included from the outset in any Western Union political arrangements recommended by the Brussels Pact powers.

FAR EAST

3. CHINA: Suspension of US munitions shipments urged--The Chief of the Joint US Military Advisory Group in China (JUSMAG) has recommended that no further US military

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(CIA Comment: CIA believes that in view of this growing opposition in Norway to an Atlantic Pact and increasing Danish reluctance to support Lange's attempts to draw Sweden into a western alliance, any delays in reaching a decision on Scandinavian defense will tend to weaken Norway's position in the current Scandinavian negotiations.)

FAR EAST

3. **BURMA: Karen-Burman fighting increases--US Embassy Rangoon reports that the conflict between the Karens and Burmans has resulted in widespread burning of villages throughout the delta area north and west of Rangoon. The Embassy believes the strife is likely to increase and suggests that the US "consider the possibility of international intervention to halt the genocide already going on."**

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(CIA Comment: CIA believes that this conflict is becoming serious, and that the present Burmese Government is not only incapable of controlling the situation but is perhaps even unwilling to seek a peaceful settlement between Karens and Burmans.)

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GENERAL

1. New US approach to Berlin currency problem--The Department of State has instructed US Embassy London to obtain British comments on a modified US plan in regard to Berlin currency. According to the plan, during the current Geneva meeting, the US, the UK, and France would: (a) again stress their objections to the UN Neutral Committee's preliminary plan; (b) urge reconsideration of the US counterproposal as a "stand-still interim" solution affording protection to all four powers in a split city, to be accompanied by an agreement to lift the blockade and hold an early meeting of the Council of Foreign Ministers; (c) indicate their willingness, upon the lifting of the blockade, to negotiate through the military governors reunification of the city administration; and (d) express their willingness, if these negotiations are successful, to reconsider the Neutral Committee's preliminary plan, or a new plan, for the use of a single currency under a uniform city administration. The Department feels that this "new approach" would place the western powers on record as proposing a positive workable arrangement and would furnish the US with a concrete program for future discussion in the SC.

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2. Norway's position in defense discussions weakening--Norwegian Foreign Minister Lange has expressed to US Ambassador Bay in Oslo concern that his fight against Swedish neutrality and in favor of the Atlantic Pact has been made more difficult by recent press reports under a Washington dateline implying that the US might supply defense equipment to a neutral Scandinavian bloc. Bay believes that Lange's present leadership in the Scandinavian defense talks may be threatened unless the US again makes it clear that a neutral Scandinavian bloc cannot expect more consideration than Scandinavian nations singly. Lange also reported increasing opposition in Norway against an alliance with the west.

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FAR EAST

3. **CHINA: Nationalist plans for Taiwan reported**--According to the US Consul General in Shanghai, the Mayor of Shanghai, in a conference on 28 January with US officials in that city, stated that Taiwan was planned as a last Nationalist bastion and indicated that the Chinese airforce and navy would withdraw to Taiwan to prevent a Communist invasion. The Mayor requested that as much ECA aid as possible be diverted to Taiwan and also raised the question of reestablishing trade between Japan and Taiwan. He added that the Nationalist Government had already shipped 2,000,000 ounces of gold to Taiwan and that he was asking that 500,000 more ounces be transferred there from the remaining government stocks in Shanghai.

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GENERAL

1. Bunche reports "complete impasse" at Rhodes--According to the US Delegation at the UN in New York, Acting UN Mediator Bunche has expressed to UN Secretary General Lie his "inescapable conclusion" that the prospects for an Israeli-Egyptian armistice agreement at Rhodes are "virtually nil." Bunche reports that although he has exerted every effort to induce concessions, both delegations have remained adamant. Bunche adds that despite this "complete impasse," neither delegation wishes to take the responsibility of walking out of the conference. Bunche reports that as a last alternative he will seek an indefinite adjournment of the talks rather than their termination. Bunche suggests that some form of Security Council intervention now might be helpful, pointing out that the possibility of renewed fighting will be greatly increased if no agreement is signed.

2. Views on US policy toward Asia--US Embassy Moscow believes that the Nationalist collapse in China calls for an urgent review of US foreign policy in Asia. According to the Embassy, it would be tragic for the US to miss the opportunity afforded by the crystallization of forces in Asia around India, as revealed by the apparent sober accomplishments of the New Delhi Conference. Although aware of the difficulties involved in assisting any regional Asiatic grouping, the Embassy considers that the risk of Communist domination of all Asia must be weighed against the risk of disagreements with Western European nations having colonial interests there. The Embassy recommends that the US take positive dramatic steps to emphasize US understanding of and political support for genuine nationalist movements in Asia. According to the Embassy, such steps should be backed by a long-range constructive program of economic technical assistance.

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NEAR EAST-AFRICA

2. **PALESTINE: Rhodes deadlock continues--US Embassy Cairo reports that Egypt is unwilling to accept, as a basis for an armistice agreement with Israel, the partial withdrawal of Israeli forces from the key road junction of El Auja, as proposed by Israeli officials. The Egyptian Government informed the Embassy that it could not consider the El Auja proposal until Israel has demonstrated its good faith by an unconditional release of the Egyptian garrison at Faluja, "as already agreed upon between Egyptian and Israeli Rhodes negotiators." (The Department of State had instructed US Embassy Cairo to express to the Egyptian Government the earnest hope that Egypt would try to reach an armistice agreement with Israel on the basis of the proposed El Auja compromise.)**

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EUROPE

1. USSR: Possible aims of Stalin interview --US Embassy
Moscow considers that Stalin's 30 January press interview reflects Soviet concern over the rapid development of an effective Atlantic defensive union and the Kremlin's determination to frustrate or delay its conclusion. The Embassy further believes that the interview is a part of the "peace offensive" and was timed to divert attention from the blunt Soviet demarche to Norway and the Kremlin's attack on the Atlantic Pact. In the Embassy's opinion, the vigor of the Soviet reaction to "an obviously defensive pact" arouses suspicions concerning Soviet intentions, which should be exposed through all available US media of information.

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(CIA Comment: CIA agrees that Stalin's latest interview is designed to prevent or delay western defensive efforts. CIA also believes that the interview reflects continued Soviet concern over the possible formation of a west German government.)

Evidence of Soviet participation in the Greek fighting --
The US Military Attache in Bucharest has learned from a reliable source that: (a) wounded Greek, Rumanian, and Soviet partisans, including Soviet army officers, have been transferred to Rumanian hospitals from the fighting front in Greece; and (b) Soviet planes have been evacuating Greek and Russian wounded men and have flown medical and military supplies into Greece. The MA points out that this is the first definite evidence of Soviet participation in the Greek fighting.

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(CIA Comment: CIA has received no other evidence of Soviet or Rumanian military participation in the Greek fighting.)

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GENERAL

1. UK and France approve US proposal on Berlin currency--
US Embassy London reports that British and French officials have expressed their approval of the modified US plan regarding the Berlin currency problem. The British and French question whether the proposal can gain Soviet acceptance but they regard it as a good tactical move. According to US Representative Knapp in Geneva, the Soviet delegate has flatly asserted that the 30 January interview "makes no difference to committee work." Knapp expresses the view that the Soviet representative may have been caught without instructions and indicates that further clarification is being sought.

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NEAR EAST-AFRICA

2. IRAN: US reply to Shah's query concerning more military aid--
The Iranian Ambassador in Washington has, on behalf of the Shah, inquired of the Department of State whether the US is willing to provide Iran with military assistance on the "Greek-Turkish model." In transmitting this information to US Embassy Tehran, the Department indicates that the Iranian Ambassador was told that no definite answer could be given at this time because of: (a) lack of knowledge about the availability of funds and equipment for meeting the enormous world-wide demands being made upon the US; (b) the necessity of waiting for Congressional authorization of foreign military aid; and (c) the expectation that Iran's ports and transportation facilities will be fully occupied this year in handling the current arms program's shipments.

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GENERAL

1. British views of recent Soviet moves--According to US Embassy London, the British Foreign Office regards recent Soviet moves (including the 28 January statement on Western Union and the Atlantic Pact, the note to Norway, and the 30 January Stalin interview) as part of the new Soviet "peace offensive" to handicap or prevent further consolidation of the west. The Foreign Office considers that the underlying reason for Soviet action at this time is the Kremlin's serious concern over the success of the European recovery program, the recent decision of the Western Union powers to establish a European council, and the imminence of the completion of an Atlantic Pact. The Foreign Office concludes that the present Soviet moves should prompt the US to "key up" all activities building the strength of the west.

CIA-5

2. Norway ready for Atlantic Pact discussions--US Ambassador Bay in Oslo has been informed by Norwegian Foreign Minister Lange that the Scandinavian defense conference failed to reach an agreement because of Norway's determination to remain free to initiate and pursue military discussions at any time. Lange indicated that although the Government is opposed to providing foreign military bases in Norway, the Norwegians are now prepared to initiate conferences with the western powers soon in order to plan military strategy and defense. Lange is extremely doubtful that the Danes will join an Atlantic Pact because he believes such action would split the Government party through the middle.

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Denmark may delay North Atlantic decision--US Ambassador Marvel in Copenhagen expresses the view that no clear decision will be made on Denmark's position regarding the North Atlantic Pact for some time because of

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the hope that still exists among Danish officials that the US will give its blessing to a neutral Scandinavian bloc. Marvel considers that Denmark will express this hope to Washington with the supporting argument that Danish adherence to the North Atlantic Pact would bring on a governmental crisis and cause new elections which would give radical and Communist parties sufficient gains to assure Communist representation on parliamentary committees. Marvel further believes that if this hope is extinguished, Denmark will, after a period of "mourning," seek North Atlantic membership without facing any serious internal repercussions.

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ANNEX

3 February 1949

STALIN'S PRESS INTERVIEWS

The dramatic and unprecedented intensification of the current Soviet propaganda "peace offensive," as revealed by Stalin's action in proposing a meeting with President Truman, reflects the grave and increasing anxiety of the Kremlin over the progress of western defensive planning and economic recovery in western Europe. Stalin's interviews also reveal the continued determination of the Kremlin to prevent the containment of the USSR by an increasingly strong western bloc.

By presenting his proposal for a Truman-Stalin meeting through the press rather than through official channels, Stalin has not committed the USSR to any specific action and has been able to exploit the hope of the world for peace. The insincerity of Stalin's proposal is revealed by his refusal to meet President Truman outside the Soviet orbit, which is actually an attempt to create the impression that the West must go to Stalin. Although Stalin's health might keep him from making the long journey to Washington, it presumably would not prevent him from going to a nearby country outside the Soviet orbit. Moreover, if the Kremlin were sincere in its desire to meet the West halfway, Stalin would not have made his proposal to the US alone. This approach was undoubtedly designed to create disunity among the western powers and to arouse the suspicions of the non-Communist world concerning the good faith and reliability of the US. Thus, although the Kremlin would welcome a Truman-Stalin meeting on Soviet terms, Stalin's recent statements offer no evidence of any change in basic Soviet policy toward the West or of any relaxation of Soviet efforts toward the expansion of world Communism.

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In its timing, Stalin's interview appears to have been motivated primarily by the rapid development of the Atlantic Pact. Soviet concern over this development had already been expressed in the Kremlin's blunt note to Norway and in the recent Soviet "White Paper" on the Pact. Although the USSR, owing to the proximity of Norway, is unquestionably disturbed over possible Norwegian adherence to the Atlantic Pact, the latest Soviet maneuver reflects Soviet determination to prevent, delay, or at least minimize, the entire western defense effort.

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GENERAL

1. Denmark desires to present defense problems to US--US Ambassador Marvel in Copenhagen has learned that the final meeting of the recent Scandinavian defense discussions called for a presentation to the US and UK of security problems special to Scandinavia. Marvel indicates that Denmark considers such a "day in court" a prerequisite to its decision on participation in the North Atlantic Pact discussions. Marvel believes that Denmark should be given a hearing in order to strengthen the Danish Prime Minister's hand in securing his Government's approval for Danish participation in the Atlantic Pact discussions. He also suggests that if an invitation to these discussions is presented to Norway, Denmark should be given a simultaneous invitation.

S-TS

Ireland to reject Atlantic Pact membership--Irish Minister for External Affairs MacBride has informed US Minister Garrett that the Irish Government can never enter any defense pact in which the UK is associated so long as Northern Ireland remains under British control. MacBride added, however, that in replying to the US aide memoire concerning Irish participation he "proposed to keep the door open so as not to make the answer entirely negative."

2. Spaak sees little military progress in Western Union--Belgian Premier Spaak has expressed to US Ambassador Kirk in Brussels his deep concern over the lack of progress toward increasing the actual military strength of the Western Union. Spaak remarked that in existing defense arrangements there seemed to be "too many generals and no armies whatever." In particular, Spaak expressed his dissatisfaction with: (a) the failure to allocate to the five Western Union powers individual responsibility for the manufacture and supply of weapons; and (b) the lack of coordination among Western Union military staffs.

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EUROPE

8. **AUSTRIA: US representative favors Austrian treaty--US Minister Erhardt expresses the view that even though the US may doubt the serious desire of the USSR to conclude an Austrian treaty, it is to the interest of the western powers to demonstrate on every possible occasion that they genuinely want a settlement which would safeguard Austrian independence. Erhardt feels that the dangers inherent in the withdrawal of occupation forces can be reduced to a minimum if the treaty settles Soviet claims to German assets and establishes adequate Austrian security forces. He concludes that Soviet opposition to the possibility of Austria's close affiliation with the western security system, which he believes can alone guarantee Austria's long-term security, may be the most serious obstacle to a treaty.**

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EUROPE

- 1. **USSR: Moscow meeting of Soviet-Satellite military leaders--**
US Embassy Moscow transmits a reliable report that high-
level Czechoslovak and Polish military delegations have
arrived there. The Embassy believes that an "elaboration
of Soviet-Satellite military integration" may be the next
step after the recent establishment of the Council of Mutual
Economic Assistance. The US Military Attache in Moscow
suggests that a conference of Soviet-Satellite military leaders
may foreshadow the announcement of a military pact which
would be analagous to the mutual aid council in the economic
sphere.

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(CIA Comment: CIA believes that the formation of a defense council is the Kremlin's next logical move as a countermeasure to the North Atlantic Pact. However, such a defense council would mean little more than a formalization of the existing integration of control of military forces.)

Further Kremlin overtures predicted--The US Military Attache in Moscow, in an analysis of Stalin's second press interview, predicts that the Kremlin will make "further overtures" in the near future. The MA believes that the Soviet and Satellite populace, and perhaps a sizable segment of world opinion, will accept the Soviet-inspired thesis that "Stalin strove for peaceful settlement and Truman refused."

(CIA Comment: CIA believes that the Kremlin will make additional propaganda overtures in an effort to obtain US agreement to enter into bilateral negotiations with the USSR.)

NEAR EAST-AFRICA

- 2. **PALESTINE: Israeli steps toward absorbing Jerusalem--**
US Consulate General in Jerusalem expresses the view that
the extension of Israeli civil law to the Jerusalem area is

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tantamount to incorporation of the Jewish-held sections of the city into the state of Israel. The Consulate declares that this action "faces the UN and US with a virtual fait accompli." In the Consulate's opinion, the Department of State should officially declare that: (a) US de jure recognition of Israel does not extend to the incorporation of any portion of Jerusalem into Israel; and (b) the US firmly supports the UN view that Jerusalem should be an international city.

Transjordan favors partition of Jerusalem--US
Representative McDonald in Tel Aviv has been reliably informed that King Abdullah of Transjordan recently expressed his opposition to the internationalization of Jerusalem and his preference for partition. Abdullah reportedly favors the assignment of part of the city to Transjordan and part to Israel, with both parts remaining under some form of UN supervision.

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GENERAL

1. **Norway wants Atlantic Pact details from US--According to US Ambassador Bay in Oslo, the Norwegian Parliament has instructed high Norwegian officials to obtain more complete information on the Atlantic Pact from US officials in Washington. Bay was told that a further objective of the mission was to secure information which would enable the Government to overcome party opposition to the Atlantic Pact. Pro-Atlantic Pact Norwegian officials reportedly hope that a US invitation to the discussions will not be extended to Norway before the conclusion of the Labor Party Congress on 20 February.**

(CIA Comment: The Secretary General of the Norwegian Labor Party, who is extremely pro-US, has been given the task of whipping into line the opposition within the Government party. CIA believes that he can succeed if he is able to present authoritative information on Norway's obligations and benefits as envisaged under the Pact.)



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EUROPE

- 1. **FRANCE: Atlantic Pact prime Communist target--The US Military Attache in Paris has learned from a highly reliable source that the French Communist Party has received Cominform instructions to drop the slogans against the European recovery program and to concentrate on the "fight against the Atlantic Pact and Western Union." The MA reports that in the campaign for the March local elections in France, the Communists will stress Soviet peace efforts, as opposed to the "war plans of the Anglo-American imperialists."**

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(CIA Comment: CIA believes that the French Communists will, in view of the close connection between recovery and defense measures, continue to work actively against the European recovery program despite the anticipated shift in propaganda emphasis.)

NEAR EAST-AFRICA

- 2. **PALESTINE: Israel noncommittal to US compromise appeal--Israeli Foreign Minister Shertok has been presented with a memorandum from the US Department of State expressing the earnest hope that Israel will follow Egypt's lead in accepting UN Acting Mediator Bunche's draft proposal at Rhodes as a possible basis for agreement. McDonald in Tel Aviv reports that Shertok, before departing for a Cabinet meeting at which the US memorandum was presumably to be discussed, responded by pointing out that Israel had already made several concessions and by expressing the view that the Bunche proposal called for abandonment of vital strongpoints so as to leave Israel "wide open" if Egypt should resume hostilities. McDonald comments that he is uncertain about what results the US memorandum may have, in view of Israel's "basic fear" of Egyptian strength.**

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Concurrently, Mark Ethridge (US member on the Conciliation Commission) transmits from Jerusalem the opinion of UN Acting Mediator Bunche that the Egyptians have made "very substantial concessions" and that an armistice would be in sight if the Israelis would do likewise.

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on German affairs. Bevin feels that agreement on the occupation statute and the west German constitution should be reached before the end of February.

(CIA Comment: CIA believes that continued delays in reaching agreement on the German question will strengthen German opposition to the proposed tri-zonal occupation statute and increase German susceptibility to current Soviet propaganda against the formation of a west German government.)

3. GREECE: Pressure being exerted for larger army--US Ambassador Grady reports that a Greek drive to force US support of an enlargement of the Greek Army has been set off by the new Commander-in-Chief at a recent meeting of the War Council. Grady indicates his deep disturbance over the line taken by the Commander-in-Chief at that meeting in which he: (a) stressed that the army was not large enough to do the job expected of Greece by its "allies"; (b) reiterated Greece's 30 September request for a 250,000-man army, implying that the US had not given consideration to this request; and (c) quoted his letter of last fall threatening to resign if he was not given a 250,000-man army within four months of taking office. Grady adds that the Commander-in-Chief has already forced the Government to call up conscripts without regard for the ceiling on the army's authorized strength. (The present authorized strength of the Greek Army, including the National Defense Corps, is 197,000.)

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GENERAL

1. Norway to delay reply to Soviet pact proposal--The Norwegian Foreign Office has informed US Ambassador Bay that Norway will "take its time" in replying to the Soviet proposal for a non-aggression pact. The Foreign Office reportedly indicated that time will be needed to study Norway's obligations under the UN and other international commitments. Bay expresses the judgment that Norwegian public opinion strongly favors joining a North Atlantic Pact but the Government's generally cautious attitude suggests an extreme desire to keep its party ranks intact before embarking on a course which will irrevocably align Norway with the western powers.

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Soviet aggression against Norway held unlikely--US Embassy Moscow suggests that a Norwegian refusal now to join the Atlantic Pact will present problems for both the US and Norway. The Embassy considers that if Norway refuses, Soviet propaganda will be able to exploit this refusal as proof of the aggressive character of the Atlantic Pact. The Embassy adds that other prospective participants may conclude that the Pact has not been adequately planned to provide effective security. The Embassy is convinced that the Kremlin will limit its retaliation to propaganda and hostile economic and political maneuvers and that no "disastrous consequences" will follow a Norwegian decision to join the Atlantic Pact.

EUROPE

2. GERMANY: UK urges prompt west German settlement--According to US Embassy London, British Foreign Minister Bevin believes that further delays in settling the west German question will result in "extremely grave consequences" for the western powers. Bevin is seriously concerned [redacted] French obstructionist attitude in the current London meetings

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FAR EAST

1. CHINA: Taiwanese becoming increasingly restive--US
Consul General Taipei expresses his view that: (a) the
situation in Taiwan is deteriorating rapidly; (b) the
Taiwanese are becoming restive and resentful of the
Chinese military; and (c) any Taiwanese revolutionary
action will probably be aimed at "wholesale sabotage"
rather than a direct clash with the Chinese. The Consul
General notes increasing evidence of Chiang Kai-shek's
directing influence and points to a trend toward harsh
police government.

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GENERAL

1. New British attitude on Berlin settlement--According to US Embassy London, the UK Government has become convinced there is no hope that the UN Committee of Neutral Experts will produce an acceptable solution of the Berlin currency problem and little hope that the Soviet blockade will be lifted in the foreseeable future. The Government has therefore decided to: (a) press for the consolidation of the western position in Germany as rapidly as possible; (b) approve the introduction on 10 March of the west mark as the sole currency in western Berlin; and (c) take steps to improve the British share of the airlift, which they realize may have to be continued indefinitely. The British are presently seeking French agreement regarding the introduction of the west mark.

S-TS

2. Iceland undecided on Atlantic Pact membership--US Minister Butrick in Reykjavik has learned from Iceland's Foreign Minister Benediktsson that the neutrality movement in Iceland has gained great impetus and Benediktsson is not now sure that Iceland wishes to participate in the pact. Butrick indicates that opposition to the pact has been expertly whipped up, principally by the Communists. He warns that there may be a bare possibility that Benediktsson is attempting to maneuver Iceland into a bargaining position.

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EUROPE

3. NETHERLANDS: Dutch Cabinet crisis over Indonesia--US Ambassador Baruch has been informed by Netherlands Foreign Minister Stikker that a Cabinet crisis has arisen because of Stikker's insistence that the Government stop "flouting the UN and approach the Indonesian problem realistically and cooperatively." In reporting that all the ministers have threatened to resign, Baruch comments that the situation looks like an "impasse."

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(CIA Comment: CIA believes that the fall of the Government is unlikely, although some Cabinet changes are possible. The collapse of the Government at this time would not result in any clarification of Dutch policy in Indonesia.)

THE AMERICAS

3.3(h)(2) 4. ARGENTINA: Peron concerned over financial crisis - [redacted] following an 8 February meeting on the Argentine economic situation President Peron offered to resign but was "prevented" from doing so by his economic advisers. [redacted] the Argentine National Economic Council has been in almost continuous session over critical economic problems and express the belief that the increasing economic and political unrest may lead to a "major government shakeup." US Embassy Buenos Aires comments that even though the situation is tense and the administration is deeply concerned, there is little likelihood that Peron will resign.

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(CIA Comment: CIA concurs in the Embassy's estimate. Although the present crisis may bring a major reorganization and re-orientation of the Argentine Government, Peron's offer to resign was probably a gesture to force alignment behind his position on a major issue of economic policy.)

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GENERAL

- 1. Evidence of material Soviet aid to Chinese Communists--
US Assistant Military Attache Barrett in Peiping reports that he has seen "hundreds of Soviet-made trucks" in the environs of that city.

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(CIA Comment: This eyewitness report by a reliable US observer is the first conclusive evidence that the Chinese Communists possess Soviet materiel in volume.)

- 2. Review of US policy on Eritrea urged--US Ambassador Dunn in Rome finds "strong grounds for review" of the US position favoring the cession of the bulk of Eritrea to Ethiopia. In noting the "realistic appraisal" of the US Mission at Addis Ababa, which questions Ethiopia's competence to give Eritrea "a reasonably efficient government," Dunn emphasizes the extreme importance of this issue to relations between Italy and the western democracies. He therefore urges that serious consideration be given to a UN trusteeship over Eritrea by a group of three or more competent nations, including Italy.

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EUROPE

1. PORTUGAL: Possible Communist-inspired disturbances--
US Ambassador MacVeagh transmits a report

[redacted] that Portuguese police expect the Communists to initiate a revolutionary uprising during or following the regular presidential elections scheduled for 13 February.

[redacted], the police believe that the Government can control such an uprising. The Ambassador comments that practiced observers believe the opposition lacks the popular leadership necessary for an effective coup but that police precautions are warranted in view of possible election disturbances and Communist exploitation.

(CIA Comment: Although election disturbances are possible, CIA believes that government forces are adequate to control the situation and that Portugal's cooperation in world economic recovery and western defense will not be imperiled.)

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GENERAL

- 1. Reported shift in Dutch policy on Indonesia--The Netherlands Foreign Office has informed US Ambassador Baruch that as a result of the resignation of the Minister for Overseas Territories, Dutch policy toward Indonesia will probably develop along the lines laid down by the Security Council resolution, particularly with respect to both liberation of Republican officials and participation by the UN Commission in the negotiations for the establishment of a federal Indonesian government. Dutch Foreign Minister Stikker subsequently told Baruch that he will accept the resignation of the Dutch High Commissioner for Indonesia if the Commissioner refuses to release the captured Republican leaders. According to Baruch, Stikker believes that if his ideas prevail and Republican demands "do not prove too drastic and unreasonable," the Netherlands can transfer sovereignty to a federal Indonesian government by 1 July.

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- 2. US plan for Berlin currency--The Department of State has informed US Embassy London that unless the USSR accepts a satisfactory solution of the Berlin currency problem before 10 March, the US and the UK will have to introduce the western mark in Berlin by that date, regardless of whether the French participate. The Department is requesting that General Clay, in concert with the UK Military Governor, inform the French Military Governor of this plan.

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EUROPE

- 3. GREECE: US again opposes Greek Army increase--The Department of State has instructed US Ambassador Grady to inform the Greek Government of the Department's opinion that any increase in the Greek Army, such as that recently proposed by Commander-in-Chief Papagos, would: (a) be

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unwarranted militarily; (b) impose an intolerable burden on the Greek economy; and (c) involve expenditures of money and materiel by the US which would be incompatible with a balanced program of foreign military aid. Grady is also to declare that a deplorable impression has been created both by reports that the Greek Government is calling up conscripts without reference either to the authorized ceiling or to availability of funds and by the peremptory manner in which Papagos has implied that the acceptance of his present post was conditional on implementation of the proposed increase.

NEAR EAST-AFRICA

4. PALESTINE: US-UK statement urged--US Ambassador Griffis in Cairo transmits his opinion (in which Mark Ethridge concurs) that no final settlement in Palestine can be reached prior to high-level agreement between the US and UK regarding: (a) Jewish-Arab borders; (b) rehabilitation of refugees; and (c) internationalization of Jerusalem. According to Griffis, the Egyptians, who realize other Arab states except Transjordan have little further interest in the problem, want to be "coerced" into a solution. Griffis, therefore, feels that a strong public statement made jointly by the US and UK would go far toward promoting a settlement. He adds, however, that such a statement would have to be backed by the strongest representations to both Egypt and Israel at the highest US and UK levels.

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Israelis reported adamant at Rhodes --According to US Consulate General Jerusalem, UN Acting Mediator Bunche has informed Mark Ethridge that the Israeli delegation at Rhodes continues to be completely adamant on all important points. According to Bunche, the Egyptians assert they will make no more concessions until the Israelis "throw in some."

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GENERAL

1. Norway increasingly concerned about USSR intentions--US Embassy Oslo observes a growing Norwegian apprehension of future Soviet intentions and reports that a high Norwegian official has expressed concern over possible Soviet seizure of north Norway or Spitzbergen. The Embassy expresses doubt that such action is likely but concurs in the view of the US Military, Naval, and Air Attaches that the USSR will soon make "some move in relation to" Spitzbergen.

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(CIA Comment: CIA believes the Kremlin is unwilling to assume the risk of general war which would be involved in any direct action against Norway or Spitzbergen. CIA considers it likely, however, that the USSR will again bring up the question of Spitzbergen in a further effort to intimidate Norway.)

2. British, Norwegian, French views on North Atlantic Pact--The British Foreign Office has told US Embassy London that when Norwegian Foreign Minister Lange recently met with Bevin, he did not appear "too discouraged" over his visit to Washington.

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[redacted] Lange indicated that Norway's decision on the North Atlantic Pact would probably have to wait until a final wording is available and told Bevin that he is considering the possibility of having Norway come in later rather than as an original signatory.

The British Foreign Office emphasized to the Embassy that any further whittling down of the terms of the Pact would be dangerous and that speed in its conclusion was essential. US Ambassador Caffery in Paris reports that the French would deprecate any changes in the present draft of the Pact and consider it to be of primary importance that there be no "stop, break, or undue delay" in negotiating it.

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FAR EAST

3. **CHINA: Nationalists ask US to delay Tsingtao withdrawal--**
US Ambassador Stuart transmits a request from Acting President Li Tsung-jen that the withdrawal of the US Navy from Tsingtao be delayed for a few weeks. Li reportedly feels that the continued presence of the US Naval base at Tsingtao strengthens the position of his Government during the critical phase of peace discussions with the Communists. Stuart believes that the US should support the Acting President in any reasonable proposal which may be helpful to the Nationalist cause at this time; he suggests that the withdrawal be slowed down as much as may be operationally feasible so that some US naval units will remain in Tsingtao over the next few weeks.

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GENERAL

- 1. Austrian security declaration suggested--US Legation Vienna suggests that, because the USSR is extremely sensitive concerning possible Austrian incorporation into the western security system, no move should be made during current negotiations for the Austrian treaty to include Austria in the Atlantic Pact. The Legation feels, however, that Austria must eventually be clearly incorporated into the western security system and suggests, therefore, a gradual integration, commencing with a tripartite declaration on Austrian security when occupation troops are withdrawn.

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EUROPE

- 2. USSR: Soviet motives in arrest of US writer--US Embassy Moscow suggests that the arrest of Anna Louise Strong may have been prompted by Kremlin disapproval of her recent articles on China, which emphasize the "independence" of Mao Tse-tung and the Chinese Communists. The Embassy points out that Miss Strong has been unable to obtain a Soviet exit visa to go to China and that, because of her arrest as a US spy, she cannot be received by the Chinese or Satellite Communists following her release. The Embassy warns that the incident may be a deliberate plot but indicates that Miss Strong's views have been becoming increasingly critical of the USSR because of her difficulties in maintaining personal contacts.

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NEAR EAST-AFRICA

- 3. INDIA: Reaction to alleged US statements concerning Japan--US Ambassador Henderson reports concern over Indian press accounts of alleged statements in a Tokyo press conference by "a high US military authority," who reportedly implied

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that the US has no moral obligation to protect the Japanese people from Soviet domination and that US forces might soon be withdrawn from Japan. According to Henderson, the Indians find a striking contrast between this apparent willingness to permit the USSR to take over Asian peoples and the reiterated determination of the US to defend European peoples from Soviet aggression. Henderson requests authority to inform the Indian Government that the US has made no decision to withdraw its forces from Japan and would not make such a decision without entering into full consultation with other interested powers.

THE AMERICAS

4. ARGENTINA: Economic-political crisis remains serious--
The US Military Attache in Buenos Aires reports that the current economic-political crisis remains tense and indicates that although President Peron will probably be retained, some of his close political associates will be forced out of office. The MA and Charge Ray both report that the Army is exerting pressure on Peron to force Senora Peron to dissociate herself from the Government and that Peron does not know how to deal with the situation which has developed from acute economic and labor problems.

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GENERAL

- 1. Possible Soviet troop concentration near Finland and Norway--
The US Military Attache in Paris has learned from "official French sources" that four to five divisions of Soviet troops have been concentrated on the northern Finnish and Norwegian borders. French officials reportedly interpret this concentration as a threat intended to influence Norway against joining the North Atlantic Pact.

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[Redacted]

(CIA Comment: CIA believes that if such Soviet troop movements are taking place, they are probably an intensification of the war-of-nerves against Norway, not an indication that a Soviet occupation of Finland is contemplated now.)

- 2. US-UK concern over Dutch plans for Indonesia--The Department of State has informed the US delegation to the Good Offices Committee in Batavia of the following US-UK views concerning new Dutch plans for Indonesia: (a) the US considers that the Dutch plans neglect the most pressing problem in Indonesia--the need to halt the fighting; (b) the US also considers itself obligated to support the 28 January Security Council resolution, which has the merit of setting a specific date for the transfer of sovereignty, as opposed to the indefinite Dutch plan; and (c) British Foreign Secretary Bevin has misgivings about Dutch intentions, as evidenced by the plan, and feels they provide no proof that the Dutch are considering the Indonesian point of view. The Department suggests that the British are increasingly concerned over the possible fall of the Dutch Government, a development which would delay resolution of the Indonesian problem and have serious repercussions on European recovery and the Atlantic Pact.

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GENERAL

1. Norwegians encouraged by Washington visit--US Ambassador Bay in Oslo has learned that the Norwegian delegation which recently accompanied Foreign Minister Lange to Washington feels that the visit was worthwhile and considers that the US position is now "crystal clear." Norwegian officials are reportedly encouraged concerning progress on the Atlantic Pact and are reassured regarding Norway's advantages and obligations under the Pact. Foreign Minister Lange has given Bay the impression that "everything is going according to plan."

S-TS

2. French disagree with US-UK proposal on Berlin currency--According to US Ambassador Murphy in Berlin, French Military Governor Koenig has informed his US and British colleagues in Germany that he could not agree to the US-UK proposal for initiating an exclusive use of the western mark in Berlin on 10 March. Koenig reportedly requested that this action be postponed until a decision has been made by the UN Security Council or, failing a reasonably prompt decision by the Council, until the military governors can reconsider the subject early in March. Koenig added that the US-UK proposal would link Berlin to the western zones, which was contrary to French policy.

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The Department of State has instructed US Ambassador Caffery in Paris to join the British Ambassador there in pressing the French Foreign Minister to accede to the US-UK proposals on this subject.

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GENERAL

1. French oppose introduction of western mark in Berlin--US Ambassador Caffery in Paris transmits a note from the French Government in which the French express their disagreement with the US-UK proposal for initiating the exclusive use of the western mark in Berlin on 10 March. The French base their disagreement on the grounds that: (a) it would be inadvisable to take such a step while the Security Council is still considering the Berlin currency issue; and (b) the US-UK proposal would irrevocably link Berlin with the western zones of Germany. The French instead propose that the creation of a special currency for Berlin be studied as a possible solution; and if such a proposal is found to be unworkable that the western mark be introduced in a way which would not attach Berlin to the western German banking system. The French recommend immediate study of their proposals in order to permit a final decision after the Security Council has had a reasonable time to study the proposals now before it.

THE AMERICAS

2. ARGENTINA: Possible request for US aid--US Charge Ray has been told by high Argentine officials that no solution to Argentina's economic problems is possible without US assistance. According to Ray, the Government is also expressing an interest in joining the International Monetary Fund and World Bank. Ray recommends that as a condition for a loan the US require the Argentine Government to: (a) remove major artificial restraints on trade; (b) restore freedom of speech and press; and (c) guarantee fair treatment to US business.

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GENERAL

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1. French agree to Berlin currency plan--French Foreign Minister Schuman has told US Ambassador Caffery that he has instructed his representatives to prepare for the adoption of the western mark in Berlin on 10 March. Schuman has declared, however, that he does not want this action announced until the Security Council has disposed of the Neutral Committee's report, which Schuman assumes will occur in the next ten days.

2. Dutch, Republican, British views on Indonesia--The US representative on the United Nations Commission for Indonesia expresses his conviction that Indonesian Republican leaders will continue to refuse negotiations with the Dutch until they are: (a) freed from detention; (b) returned to Jogjakarta with full governmental authority; and (c) assured that official negotiations will be conducted under the aegis of the UN Commission. US Ambassador Baruch at The Hague has learned from the Foreign Office that the Dutch Government will probably accept UN supervision and will release the Republicans, but will find it impossible to restore them to authority at Jogjakarta. According to US Embassy London, the British will, though reluctantly, support the US in taking a strong line against the Dutch in the Security Council, but they hope that prior to then the Dutch will adopt a conciliatory position.

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GENERAL

S-75

1. Yugoslav shipments to Greek rebels reported stopped--The US Political Adviser in Trieste transmits a report [redacted] indicating that the Yugoslav Government is seriously concerned over the removal of Greek rebel commander Markos and is holding up all shipments of arms and materiel to the Greek guerrillas. [redacted] all Yugoslavs serving with the guerrillas have been ordered to return to Yugoslavia immediately.

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(CIA Comment: [redacted])

[redacted] it likely that the Tito Government has responded to Markos' removal as indicated.)

EUROPE

2. FRANCE: Army Chief of Staff threatens to resign--The US Military Attache in Paris reports that Army Chief of Staff General Revers has threatened to resign if Defense Minister Ramadier's proposal to reduce drastically the size of the army is adopted. According to the MA, Ramadier is demanding an army of 281,000 (exclusive of the forces in Indochina); Revers insists on 365,000 but would accept a minimum of 320,000. Revers believes that Ramadier's proposal would reduce the army below the size required for internal security.

ARMY-S

(CIA Comment: CIA considers it unlikely that the French Army will be reduced sufficiently to impair the Government's ability to maintain internal security.)

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GENERAL

- 1. UK proposes compromise with French on Berlin currency--
According to US Ambassador Douglas in London, the British Foreign Office is proposing that the US and the UK inform French Foreign Minister Schuman as soon as possible that they will agree to a compromise plan on Berlin currency, calling for the issuance of western currency in Berlin independently of the banking system in the western zones. The British further suggest that the US and UK agree to delay the currency changeover until 20 March, thus conforming to the French desire that the Security Council be permitted to complete its action on the Berlin problem. The British pointed out to Douglas that they are making this proposal because they feel that a compromise to meet the French position is desirable in the interests of speedy action.

5-73

EUROPE

- 2. FRANCE: Implications of Communist leader's statement--
US Embassy Paris interprets Communist Leader Thorez' 22 February statement as added evidence that the Kremlin is demanding a return by the French Communists to a purer form of Leninist-Stalinist doctrine and tactics, including more aggressive class warfare. (Thorez reportedly suggested that if the Soviet Army were to invade France, the French people would take the same attitude as the people of Poland, Rumania, and Yugoslavia.) The Embassy further regards the statement as: (a) proof of Kremlin determination to thwart the consolidation of western Europe even at the risk of losing popular Communist support in France; and (b) a signal to Communist militants to accelerate sabotage of French efforts to strengthen national defense.

CIA-5

(CIA Comment: CIA agrees that Thorez' statement indicates a further tightening of Communist discipline and a reduction of the party to its "hard core." Moreover, even

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though Thorez' declaration will apparently be detrimental to Communist popularity in France, he may have made it at this time in an effort to convince prospective members of the Atlantic Pact that France would be unreliable in a defensive alliance. CIA does not believe that widespread strike action is probable in France in the immediate future.)

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GENERAL

1. Norway indicates readiness to accept Atlantic Pact invitation--
 US Embassy Oslo has been informed by the Norwegian Foreign Office that Norway: (a) will shortly be ready to receive an invitation to the Atlantic Pact discussions; (b) believes it important, from the standpoint of domestic politics, to participate in the negotiations; and (c) will have few comments to make during the discussions. The Foreign Office indicated a desire to be in a position to accept an invitation to the Washington discussions at the time Norway politely rejects the proposed Soviet non-aggression pact.

2. US views on Dutch decision concerning Indonesia--The Department of State has informed US representative Cochran in Batavia that the Netherlands Ambassador in Washington considers that the latest Dutch plan for Indonesia rejects the idea of restoring the Republican Government at Jogjakarta. The Department believes that if this rejection of Republican restoration causes the Republicans to turn down the new Dutch plan, the UN Commission for Indonesia should immediately try to bring about direct negotiations between the Dutch and Republicans to resolve this point. The Department warns, however, that such negotiations must not commit the US to any settlement which differs from the SC resolution, unless agreed upon by both parties. The Department believes that neither party should allow Republican restoration to become so important as to frustrate the plans for an independent United States of Indonesia.



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GENERAL

1. Spaak urged to advise Dutch on Indonesia --The Department of State expresses to US Embassy Brussels the view that Premier Spaak is fully justified in his recently evidenced anxiety over the financial effect upon Benelux of continued Dutch failure to solve the Indonesian problem. The Department points out that special effort is required from the Belgian Government if the consequences of Dutch intransigence are not to fall heavily upon the Belgians. The Department therefore expresses the hope that Spaak will urge the Dutch Government to go further than it has recently in offering a basis for prompt settlement of the Indonesian dispute. The Department considers that the latest Dutch plan lacks "the essential ingredient" for settlement: the restoration of the Indonesian Republic as a governmental entity with some seat of authority.

FAR EAST

2. CHINA: Soviet "evacuation warning" from Peiping reported--The Assistant Naval Attache in Peiping reports that a former Soviet Consul has warned Soviet citizens in the city to be prepared to evacuate to Manchuria on 24 hour notice, on the basis that war with the US is imminent. The Assistant Naval Attache, who regards this report as "probably true," suggests that this information "may be in line with the Soviet grab of Manchuria."

(CIA Comment: CIA has no information with which to confirm or deny this report of an evacuation warning. CIA does not believe, however, that the USSR is preparing to take precipitate action in Manchuria. Soviet political maneuvers designed to secure eventual Soviet control of Manchuria are apparently already in process, but these will probably continue to be gradualistic, especially in view of the obvious complications that would ensue with the Chinese Communists if rapid action were taken.)

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GENERAL

- 1. US trusteeship for Tripolitania suggested--British Foreign Secretary Bevin has asked US Ambassador Douglas in London whether the US would be willing to reconsider the possibility of a US trusteeship over Tripolitania. Douglas believes that because such a trusteeship "would be acceptable to France and would be acquiesced in by Italy," the US might well reconsider the matter.

CIA-5



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GENERAL

1. Belgium, France favor Norway inclusion in Pact--Belgian Premier Spaak has urged most strongly to US Ambassador Kirk in Brussels that Norway be asked to join the Atlantic Pact as a charter member. Spaak feels that if this is not done, Norwegian Foreign Minister Lange may be "in gravest trouble." Spaak expressed the view that if the French were, as he understood, holding out for a similar charter membership for Italy, their position was "unfortunate and unnecessary."

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According to US Ambassador Caffery, however, French Foreign Minister Schuman has informed the British Embassy in Paris that his Government's approval of an immediate affirmative response to the Norwegian Government is unconditional and not tied to the Italian question, although the French attach the greatest importance to an early and favorable decision on Italy.

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GENERAL

1. Denmark may request Atlantic Pact invitation soon--US Ambassador Marvel in Copenhagen has learned that the Danish Prime Minister has recently been assured of domestic political unity on the question of Danish inclusion in the North Atlantic Pact. Marvel therefore expects that following a meeting of the Foreign Relations Committee on 2 March, Denmark will request an invitation to join in the discussions on the Pact.

S-TS

2. US suggests Dutch compromise on Republican capital--The Department of State expresses to US Representative Cochran on the UN Commission for Indonesia the view that a Dutch compromise proposal, providing for the establishment of the Republican capital in Republican-held Sumatra instead of Jogjakarta, could be regarded as a bona fide response to the Security Council resolution on Indonesia. The Department has instructed Cochran to encourage immediate discussion on such a proposal in order that the Republican Government might be restored in Republican-held territory and that Dutch-Republican negotiations leading to a definite solution might begin in The Hague or some other place.

S-S

3. France conditionally accepts Berlin currency plan--US Ambassador Caffery has received a note from French Foreign Minister Schuman which agrees to the conversion to the western mark as the sole currency in the western sectors of Berlin, on the condition that the problem not be brought up for full discussion by the Security Council at this time. Schuman feels that the Security Council President should be informed of the proposed action and that the Security Council should be allowed a reasonable period of time to determine its course of action. Schuman therefore considers that the

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currency changeover cannot be made by 10 March; he suggests 27 March or, if this date is technically inconvenient, 20 March. Schuman believes that the western powers should reconsider their decision if any unforeseen development should change the situation before the date set for the changeover.

THE AMERICAS

4. **COLOMBIA: Possibility of military action against Peru--US** Ambassador Beaulac in Bogota reports that, in reply to his direct question, the Colombian Foreign Minister indicated his country would probably retaliate with military action if the Colombian Embassy in Lima were attacked by a Peruvian mob in an attempt to seize APRA leader Haya de la Torre, who is now in asylum in that Embassy. Beaulac further reports that reinforcement of Colombian garrisons along the border is being expedited. Colombia would attack the Peruvian military base at Guepi on the Putamayo River. US Embassy Lima reports that it has received no information indicating either troop concentrations or significant ground or air movements by the Peruvians in the vicinity of the Colombian border.

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(CIA Comment: CIA considers that there is a distinct possibility of an attack upon the Colombian Embassy. If such an attack should occur, Colombia would probably retaliate as indicated.)

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GENERAL

1. Denmark ready to join North Atlantic Pact discussions--
 US Ambassador Marvel in Copenhagen has been informed by the Danish Prime Minister that Denmark will join the Atlantic Pact. The Danish Prime Minister reportedly hopes to send the Foreign Minister to Washington for direct discussions with the Secretary of State and subsequently intends to request participation in the Atlantic Pact discussions. Marvel believes that Denmark would be satisfied to participate as an observer during the preliminary discussions if full participation is opposed by member nations.

S-75

2. US views concerning Colombian military preparations--The Department of State has instructed US Ambassador Beaulac in Bogota to inform the Colombian Foreign Minister that: (a) the US Government does not believe the Colombian Embassy in Lima will be invaded; (b) no clear indications exist that Peru is planning any bellicose actions; and (c) the US Government hopes Colombia will avoid actions which could be construed as preparations for war and which might by themselves generate a war spirit in Peru.

CIA-

FAR EAST

3. SIAM: US nationals possibly endangered--The US Military Attache in Bangkok reports that although actual hostilities have ceased in Bangkok, the situation is still tense and fraught with danger. He therefore strongly urges that no US nationals visit the city.

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(CIA Comment: US delegates are now in Bangkok to attend an international conference; another such conference is scheduled for 28 March. CIA believes that a renewal of hostilities is a distinct possibility.)

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GENERAL

1. Austria ready for economic talks with Yugoslavia --According to US representative Reber at the Austrian treaty negotiations in London, Austrian Foreign Minister Gruber has indicated his willingness to undertake direct economic conversations with the Yugoslavs. Gruber proposes that such conversations be directed toward a satisfactory trade agreement under which Austria would export heavy industrial products on terms favorable to Yugoslavia. Reber indicates that such an agreement might facilitate the conclusion of a peace treaty. He adds that Gruber would like, before entering upon such negotiations, to know the views of the US, particularly concerning future shipments to Yugoslavia.

CIA - S

2. Berlin currency changeover set for 20 March --US Embassy Paris has been told informally that the French have accepted the US position on the Berlin currency but are holding out for 20 March as the date for the changeover to exclusive use of the western mark. The US Army is advising General Clay of US acceptance of that date for the changeover. The Department of State advises Embassy Paris that it is essential for the three western powers to treat this date as a firm commitment and expresses the hope that military government experts will press forward with the necessary preparations.

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EUROPE

3. FRANCE: Government policy on Communist "treason" --US Embassy Paris has learned from a high French official that the Interior Ministry intends, in combatting the "treasonable" Communist line, to place emphasis "on what the Communist do rather than what they preach." The official believes that the Kremlin expects

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Western European Communists not only to undermine European morale but also to engage in military and industrial espionage and eventually sabotage. The official thinks it may sometime be necessary for France to mobilize the men in every plant which is working for national defense.

(CIA Comment: CIA considers that the French Communist Party is likely to make plans for sabotage, especially against the armaments industry, but that the Communists are not likely to possess the capabilities for large-scale sabotage in the near future.)

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GENERAL

1. French insist on Italian inclusion in Atlantic Pact--French Foreign Minister Schuman has informed US Ambassador Caffery that although the French Government does not insist upon Italian participation in the Atlantic Pact negotiations, it does insist that Italy be permitted to sign the Pact at the conclusion of negotiations if Norway signs at that time. Schuman explained that Italy's inclusion in the Pact is a matter of major psychological importance to the French, because without Italy the French people would say they had been placed "on one of the wings" of a defense system.

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US Ambassador Kirk in Brussels reports that a high official of the Belgian Foreign Ministry has expressed a strong feeling that both Italy and Norway should be included as initial signatories of the Pact. The Belgian official believes that if Italy is not thus included, the De Gasperi Government may be placed in a serious position between the initial signing of the Pact and a subsequent Italian adherence.

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EUROPE

3. Possible Dutch-Indonesian compromise--US Ambassador Baruch has been told privately by a high official of the Netherlands Foreign Office that a "bare possibility" exists that the Netherlands Government will agree to restore the Indonesian Republic at Jogjakarta if the Dutch can be assured that the Republican delegation would leave Batavia for a mid-March conference at The Hague. Baruch is convinced that a successful compromise could be worked out along these lines. He also notes signs that international considerations are slowly making headway over the largely national approach hitherto prevailing in the Netherlands concerning Indonesia.

CIA-5

(CIA Comment: CIA believes that the possibility suggested by the Dutch official is one of several recent indications that the Netherlands Government may soon be forced to retreat from its previous position and allow the Republican leaders to return to Jogjakarta.)

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GENERAL

1. Embassy Moscow's view of Molotov's shift--US Embassy Moscow expresses the view that the Soviet Government's action in relieving Molotov as Foreign Minister and Mikoyan as Minister of Foreign Trade does not indicate that either has fallen from favor or that their position has changed in the hierarchy of the Party and Government. The Embassy believes that the changes do not foreshadow any fundamental shift in Soviet foreign policy. The Embassy points out that it has been expected for some time that Stalin would eventually retire as Chairman of the Council of Ministers and that Molotov would return to that position (which he held from 1930 to 1941). The Embassy suspects that these shifts may have been designed to sow confusion in the West at this time and in the immediate future.

CIA - CONF

(CIA Comment: CIA concurs in general with Embassy Moscow's analysis.)

2. Denmark wishes to be original signatory of Atlantic Pact--US Ambassador Marvel in Copenhagen has been instructed by the Department of State to inform the Danish Government that the US: (a) expects to be able to communicate the approved text of the Atlantic Pact agreement to Denmark before 12 March; (b) plans a conference in Washington at the end of March for final consideration and signing of the Pact; and (c) prefers that Denmark should become an original signatory.

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Ambassador Marvel reports an increasing desire on the part of Denmark to become an original signatory in order to avoid the interval of waiting between the original signing by the representatives and the subsequent ratification by the individual governments. The Foreign Minister, who considers this period to be "extremely dangerous," believes that the Danish Parliament can probably reach an affirmative decision in time for him to come to Washington for signature during the very last days of March.

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GENERAL

- 1. US views on Hague conference on Indonesia --The Department of State has expressed to the US delegation at the UN the view that the main obstacle to Republican acceptance of the Dutch invitation for a round table conference at The Hague is the refusal of the Netherlands to restore the Republican Government to Jogjakarta. The Department therefore suggests that the US delegation seek Security Council instructions to the UN Commission for Indonesia to strive for agreement between the Dutch and the Republic on this point. The Department believes that the latest Dutch plan is consistent with the objectives of the 28 January SC resolution.

CIA-CONF
CIA-5

According to US Embassy The Hague, a parliamentary leader of the Dutch Labor Party has declared that his party is now convinced of the necessity for restoring the Republicans in Jogjakarta. The leader thinks, however, that only a token Republican city, including government buildings within an area of a few square miles, can be established at this time.

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GENERAL

1. France withdraws reservation on Berlin currency plan--
 French Foreign Minister Schuman has informed US Ambassador Caffery that the French Government now: (a) no longer makes acceptance of the Berlin currency plan conditional upon the prevention of full discussion of the subject in the Security Council at this time; and (b) agrees to the proposed date of 20 March for the currency changeover in Berlin. Schuman indicates that General Koenig in Berlin has received instructions to accept the 20 March date and has agreed that technical arrangements should be considered immediately for the introduction of the western mark as the sole currency in the western sectors of Berlin.

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GENERAL

- 1. Israeli military moves--US Charge Stabler in Amman has been notified by King Abdullah of Transjordan and by Arab Legion Commander Glubb Pasha that Israeli forces have invaded Transjordan proper and have attacked an Arab Legion post inside the frontier. Stabler was similarly informed that other Israeli columns are continuing their advance through the Negeb toward the Gulf of Aqaba. (Meanwhile, the US Military Attache in Baghdad has been informed of Israeli troop concentrations opposite the Iraqi forces in Central Palestine.)

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The Department of State has expressed to the Israeli Government its gravest concern over the situation and has warned of the serious consequences if the reported Israeli incursion into Transjordan should be verified.

(CIA Comment: Whether or not Israeli troops have invaded Transjordan, their advance through the Negeb violates the UN Truce of July 1948. CIA believes that this movement indicates a clear intention on the part of Israel to seize territory in Palestine and present the UN and the Conciliation Commission with a new fait accompli. Such a seizure would: (a) go far to complicate the work of the UN Commission; (b) virtually preclude application of the proposed formula whereby Israel would provide compensation for territory it retains outside the UN partition boundaries; and (c) give further support to the Arab contention that Israel does not have peaceful intentions but is acting aggressively and in bad faith.)

EUROPE

- 2. FRANCE: Communist Party plans for sabotage campaign--The US Military Attache in Paris has learned from a highly reliable source that the French Communist Party has made plans for organizing systematic, direct sabotage of all French

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enterprises working for national defense. According to source, Communist leaders in charge of this program were cautioned to exercise great prudence and to avoid sensational sabotage. Source indicates that the Communist-dominated General Confederation of Labor is no longer in a position to launch large strikes, but will continue to use rotating and slow-down strikes. Source adds that Communist propaganda will continue to appeal to French workers never to take up arms against the USSR.

(CIA Comment: CIA does not consider that Communist capabilities for large-scale sabotage are sufficient at present to affect seriously French industrial production or national security.)

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NEAR EAST-AFRICA

1. **PALESTINE: Israeli advance seen as threat to settlement--**
 US Consulate General Jerusalem expresses the view that the Israeli advance into the southeastern Negeb: (a) constitutes a violation of the Security Council truce resolution of July 1948; and (b) is apparently intended to present the UN with a fait accompli before permanent armistice lines are drawn during the Transjordan-Israeli negotiations at Rhodes. The Consulate declares that the Israeli advance, besides jeopardizing the Rhodes negotiations and the work of the UN Palestine Conciliation Commission, will destroy the slowly developing willingness of the Arab states to negotiate a settlement with Israel. In the Consulate's opinion, strongest representations should be made to the Israeli Government against Israeli incursions into Transjordan and also against any advance by Israeli forces into the Negeb.

CIA-S
CIA-S

British instructions to Aqaba garrison--According to US Embassy London, the British War Office has sent the following instructions to the commander of the Aqaba garrison: (a) if Israeli forces open fire, either from Palestine territory or after crossing the Transjordan frontier, the fire is to be returned; (b) if Israeli troops cross the Transjordan frontier without firing, the British commander is to warn them not to approach and then open fire if the warning is disregarded; and (c) if Israeli aircraft fly over British positions, they are to be engaged whether or not they take offensive action. The Embassy adds that Acting UN Mediator Bunche and the Israeli Government have been informed of these instructions.

(CIA Comment: It is unlikely that the Israelis will initiate offensive action against the British or invade Transjordan territory again intentionally.)

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FAR EAST

2. INDONESIA: Dutch seek US support for proposal--Dutch Foreign Minister Stikker has informed US Ambassador Baruch at The Hague that he will undertake to obtain Dutch Cabinet approval of a plan for the restoration of the Republican government to Jogjakarta, if he can be assured of US and British support. The Dutch proposal reportedly provides that: (a) Netherlands authorities will remain responsible for law and order throughout Indonesia; (b) civil police will be responsible for order within Jogjakarta and environs but the Dutch armed forces will remain there for use in an emergency; (c) the Republican government will immediately issue a cease-fire order upon its return to Jogjakarta; (d) the Republican government will revoke the powers conferred on any government now acting in Sumatra or elsewhere; (e) the terms of the restoration of the Republic will be determined by negotiations in Batavia with the assistance of the UN Commission for Indonesia; and (f) the Republic will subsequently send to The Hague a delegation including the president and the prime minister. According to Ambassador Baruch, Foreign Minister Stikker believes that it will be imperative to obtain US support to overcome Cabinet resistance to such a plan. Stikker believes that adequate British support has already been given through Bevin's general approval of the proposal.

CIA-5

THE AMERICAS

3. PERU: US concern over Colombian-Peruvian disagreement--The Department of State has informed US embassies in Argentina, Brazil, and Peru that it continues to be preoccupied over the possibility of an incident involving Peru and Colombia which would threaten the tranquility of the South American continent. The Department indicates that the Colombian Government has become more and more alarmed over the possibility of an attack

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on its embassy in Peru (Haya de la Torre, the leader of the now-outlawed APRA Party of Peru who has taken asylum in the Colombian Embassy there, cannot leave the country because the Peruvian Government refuses to grant safe-conduct). The Department requests information concerning the attitude of the Argentine and Brazilian governments on this situation.

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GENERAL

1. Austrian treaty talks reach critical stage--US Representative Reber in London reports that Austrian treaty negotiations have reached a critical point as a result of Yugoslavia's unwillingness to abandon its demands for frontier rectification and reparations. Reber points out that in backing the Yugoslav claims, the USSR has been using the conference to further Soviet ends in Yugoslavia and to attempt to prevent a further rapprochement between Tito and the West. Reber believes that: (a) as long as the question of Yugoslav claims remains unsolved no real progress can be made toward conclusion of a treaty; (b) the western powers "should not be led into the obvious trap" of agreeing to a discussion of other issues without further efforts to force a showdown on Yugoslavia's claims; and (c) avoiding such a showdown now would leave the West exposed to the danger of a later break over other issues which would be less clear to the public and to Austria in particular. Reber therefore recommends that the US should be prepared to accept in the near future any reasonable grounds for adjournment in the hope that after adjourning: (a) the Yugoslav-Cominform rift might be further clarified; and (b) direct Austrian-Yugoslav negotiations, uninfluenced by the USSR, might result in Yugoslav concessions.

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GENERAL

- 1. US representative's views on Dutch plan for Indonesia -- US representative Cochran in Batavia considers that the latest Dutch proposals for restoration of the Republican government, as outlined in a letter from Netherlands Foreign Minister Stikker to UK Foreign Secretary Bevin, are "weak and unconvincing." Cochran recommends that the US strictly insist upon prompt Dutch compliance with the Security Council resolution calling for restoration of the Republican government in Jogjakarta and free functioning of the government there.

S-5

EUROPE

- 2. GREECE: Foreign Office views on Macedonian issue -- According to US Embassy Athens, the Greek Foreign Affairs Ministry is considering the possibility of making energetic representations to the Satellites because of recent Communist moves regarding Macedonia. Members of the Foreign Ministry reportedly believe that such moves represent a plan to lop off Greek Macedonia and bring about Tito's fall by depriving him of Yugoslav Macedonia. These officials therefore consider that these moves have created an "infinitely more grave" situation than did the formation of the Markos junta during the winter of 1947-48. US Embassy London reports that Foreign Secretary Bevin is considering making a statement in Parliament designed to discourage proclamation of an autonomous Macedonia.

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CIA-S

NEAR EAST-AFRICA

- 3. PALESTINE: Israeli invasion unconfirmed by UN observers -- US Charge Stabler in Amman reports that preliminary accounts from UN observers in the area indicate Israeli forces have not crossed into Transjordan territory. Stabler adds, however,

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that government circles in Transjordan have been badly shaken by Israeli actions in the Negeb. According to Stabler, there are indications that Transjordan officials, though possibly still willing to conclude a peace agreement at Rhodes despite Israeli occupation of the Negeb, are uncertain whether Israel will cease its expansion moves and are fearful of an attack on the Arab-controlled area in north central Palestine. Stabler urgently recommends that the US warn the Government of Israel of the serious consequences upon its relations with the US if Israel undertakes this or any other aggressive action.

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GENERAL

S-75

- 1. US favors continuation of Austrian talks--The Department of State has advised the US representative at the Austrian treaty negotiations in London of its view that a decision to break off the discussions must take fully into consideration the effect on the general international situation. The Department believes that even though there is no indication that the USSR intends to conclude a treaty at this time, there can be no harm in attempting to negotiate other points of the Austrian treaty besides the Yugoslav claims, on which the USSR cannot be expected to make concessions until public attention has been diverted from the issue. The Department feels that international opinion would probably question the motives of the US if adjournment were to be taken with only a preliminary consideration of other disputed articles. The Department therefore considers that the US should not risk adjournment until there is some clarification of the international situation or until every negotiating possibility has been exhausted.

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GENERAL

- 1. British suggest inaction following Berlin currency reform--
US Embassy London transmits the British Foreign Office view that the best course for the western powers to take after the currency changeover in Berlin may be one of "unconcern and inactivity," avoiding further action in the Security Council. The British reportedly base this conclusion on their estimate that the bargaining position of the western powers will be considerably improved following the currency changeover, further progress on the west German program, and the signing of the Atlantic Pact. British officials therefore prefer to await Soviet reaction to these developments before deciding on the next move to make in Berlin.

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GENERAL

1. Present Soviet intentions in Iran--US Ambassador Wiley in Tehran considers that the only uncertainty about Soviet intentions in Iran is the timing of a Soviet move to return to the country. Wiley believes that the recent setbacks suffered by the Soviet Union, particularly the imminent conclusion of the Atlantic Pact, make it possible that the USSR may enter Iran in the near future.

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In transmitting Ambassador Wiley's views concerning Iran to US Embassy Moscow, the Department of State has requested the Embassy's judgment on the probable effect upon the USSR of a US statement of continuing concern over the security of Greece, Turkey, and Iran, such statement to be made simultaneously with the conclusion of the Atlantic Pact. The Department points out that the UK, which had previously urged that such a declaration accompany the conclusion of the Atlantic Pact, now opposes such a statement, especially the inclusion of Iran.

(CIA Comment: The USSR is not likely to take overt action in Iran at this time, especially because such action would decisively facilitate the rapid and effective implementation of the Atlantic Pact.)

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GENERAL

1. Soviet armed aggression against Iran held unlikely--US Embassy Moscow expresses its view that the USSR will not this year make any aggressive move with its armed forces likely to embroil it in major hostilities with the western powers. The Embassy therefore does not anticipate any "major effort" in Iran and does not foresee any likelihood of an invocation of the 1921 treaty or an occupation of Azerbaijan.

S-3

In reply to the Department of State's query concerning the possible effect of a declaration accompanying the conclusion of the Atlantic Pact, the Embassy asserts that a carefully worded statement expressing the interest of the US in the security of Greece, Turkey, and Iran would usefully supplement the Atlantic Pact and remind the Kremlin that the US is not dropping its guard anywhere. The Embassy believes it to be "almost essential" that the British join in issuing such a statement.

(CIA Comment: CIA believes that any Soviet action against Iran at this time will largely consist of fomenting disturbances, particularly in Azerbaijan.)


2. Bunche reports Israeli intransigence threatens talks-- According to the US delegation at the UN, Mediator Bunche has reported that an armistice between Lebanon and Israel is being blocked solely by Israeli intransigence on the subject of the removal of its forces from Lebanon. The Israelis reportedly demand Lebanese permission to retain forces in Lebanon until Syria concludes an armistice. Bunche has declared that he feels so strongly on this matter that unless Israel changes its position within the next few days, he will inform the Security Council that Israel is deliberately blocking a Lebanese agreement and will seriously consider withdrawing altogether from the armistice talks.

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3. USSR seeks to prolong Austrian treaty talks--US representative Reber at the Austrian treaty talks in London reports that in a recent private interview Soviet representative Zarubin gave the impression he wanted to use every excuse to prolong the present negotiations indefinitely. According to Reber, Zarubin apparently sought to imply that an agreement on autonomy for the Slovenes in Austria would reduce the difficulty of the Yugoslav frontier issue. Reber indicates that although Zarubin urged that the talks be turned to other disagreed issues, he has agreed with the British and French representatives to continue the present pressure in order to gain some hint concerning eventual solutions on frontiers and reparations.

CIA - S

4. Greek move to guarantee frontiers suggested--US Ambassador Cannon in Belgrade believes that, in connection with recent Macedonian developments, the Greeks should gain the diplomatic initiative by proposing that a UN or four power guarantee should be made of present Balkan borders. Cannon suggests that Greece could then forego its claims to southern Albania provided that Yugoslavia, Albania, and Bulgaria would agree to the finality of their own borders. Cannon points out that such a move would at least place the Cominform on the defensive by forcing a Soviet decision concerning its stand on the present borders of Yugoslavia as well as those of Greece. Cannon expresses the view that a US-UK demarche to Bulgaria on the Macedonian question would not be effective at this time.

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A N N E X

POSSIBLE MARCH UPRISINGS IN THE NEAR EAST

According to a number of reports recently received from the Near East, serious uprisings are planned in the area for the latter part of March and will involve simultaneous Kurdish revolts in Syria, Iraq and Turkey. These reports, which cite details of time and place but cannot be evaluated at this time, indicate that Communist agitators are actively urging the Kurds to resort to violence and that the uprisings will be supported by the sabotage of military installations in Turkey, as well as the assassination of leading Arab government figures and possibly western representatives. Although the accuracy of these reports cannot be established, it is true that Kurdish uprisings are always a distinct possibility and that the Communists in the area can be expected to exploit this traditional unrest. There is no evidence, however, to suggest that either the Kurds or the Arab and Turkish Communists are receiving substantial material assistance from the USSR or that the USSR is planning any overt action on their behalf in the near future.

If the predicted uprisings occur, they will be generally unsuccessful in all three countries. The effects on each country, however, will vary. In Turkey, there is not the remotest possibility of a serious threat to the government. Communist activity in Turkey is almost non-existent, the Kurds there are less discontented, and the security services are more than adequate. In Iraq, disorders might spread rapidly and some changes in the government might result. The situation might be further complicated by the attempted return of the Barzani Kurds who fled to the USSR in 1947. Communist strength in Iraq has been seriously weakened by recent government action, however, and Iraqi troops now being returned from Palestine could prevent a successful revolution. In Syria, it is possible

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that the outbreak of disturbances might touch off a counter-revolt by ultra-nationalist elements under the leadership of Colonel Zaim, Chief of Staff of the Syrian Army. Zaim is reportedly planning such a move, which, if it took place, would probably be a quasi-legal seizure of power in which the present Constitution and President would be retained. Whether or not Zaim assumes power, however, Communist and Kurdish forces in Syria are too weak to make a successful bid for control of the government.

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GENERAL

1. British concern over Israeli intentions--UK Foreign Secretary Bevin has expressed to US Ambassador Douglas in London his concern regarding Israeli intentions, particularly the possibility that the next Israeli move might be against Arab positions in north central Palestine. Bevin asked that Secretary Acheson be informed of his view that another Israeli fait accompli might damage UN prestige irreparably and confirm the Arab belief that they can expect no help from the west. On the subject of western aid, Bevin told Douglas that it is becoming more and more "ridiculous" for the UK to refuse arms and ammunition for the Arab Legion when arms continue to flow into Israel on a large scale. He indicated that although the British have given the Legion no war materials as yet, it will be "extremely difficult" for him to continue making flat refusals to King Abdullah's requests. Douglas reports that Bevin informed him tangentially that the Conservative Party plans next week to attack the Government for "jeopardizing the vital UK-Transjordan friendship."

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The Department of State has informed Ambassador Douglas that the British Embassy in Washington has declared "it will no longer be possible to refuse to send arms to the Arab Legion." The Department indicates that great concern was expressed at "the working level" over this possible move and that it was pointed out what an adverse effect this would have on armistice negotiations, emphasizing the likelihood of pressure for the removal of the arms embargo against Israel and the possibility that the Israelis might seize upon this pretext to reopen hostilities.

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EUROPE

1. **PORTUGAL: Portugal seeks 10-year limit on Atlantic Pact--** US Ambassador MacVeagh reports that the Portuguese Foreign Office wants to know whether some provision can be made which will enable Portugal to sign the Atlantic Pact for a 10-year period, either beginning now, or at some future date. MacVeagh has been told that the Foreign Office intends to put the Atlantic Pact question before the Cabinet as soon as an answer has been received to this query. MacVeagh believes Portugal will sign the Pact if granted an option to withdraw after 10 years.

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The Department of State has replied to Ambassador MacVeagh that although an answer cannot be given to the Portuguese query without consultation among the participating governments, the reply will probably be negative.

2. **FRANCE: Government to request arms for Indochina --US** Ambassador Caffery has received a preliminary and unofficial request from a high French official and an Indochinese official that the US give serious consideration to the possibility of supplying arms for the new national Vietnam Army which is provided for in the recently drawn-up Bao Dai agreement. The French official indicated that the US will receive a formal request for arms from Premier Queuille directly after the ratification of the agreement.

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(CIA Comment: The French Government is extremely anxious to obtain public approval and material support from the US for the new Indochinese agreement before Bao Dai arrives in Indochina on April 25. The promised ratification of the agreement by the French Assembly is dependent upon legal unification in Indochina which will probably take much longer than the few weeks which the French now anticipate.)

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NEAR EAST-AFRICA

3. **PALESTINE: US concern over Iraqi front**--The Department of State has advised US Ambassador McDonald in Tel Aviv of its concern over the possibility of an outbreak of fighting on the Iraqi front in Samaria (north central Palestine). The Department believes, in view of this possibility, that: (a) everything possible should be done to facilitate the rapid conclusion of an Israeli-Transjordan armistice agreement; (b) such an agreement should be extended to the Iraqi front; and (c) Israel should interpose no objection if Iraq turns the Samaria front over to Transjordan. The Department adds that it might be desirable to have the present cease-fire agreement extended automatically to the Iraqi front at the time that Transjordan assumes responsibility for it.

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GENERAL

1. Austrian treaty talks shift to economic articles--US representative Reber at the Austrian treaty talks in London reports that further discussion of the Yugoslav claims is futile and that he has agreed with the British and French representatives to pass to a consideration of the economic articles. According to Reber, British and French representatives believe that the USSR might yield on frontiers and reparations in return for economic concessions. Reber predicts that the British will be less insistent upon complete relinquishment by the USSR of its present control of industry in the Austrian eastern zone if there seems to be a possibility of agreement on certain economic clauses. Reber believes it important that present Soviet control of Austrian industry not be continued, but he observes that because the Austrians themselves are inclined to dismiss the need for safeguards against Soviet encroachment in the control of industry, US insistence on such safeguards might be misinterpreted and lend itself to Soviet propaganda.

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GENERAL

1. Dutch balk at proposed UN directive to UNCFI--According to US Ambassador Baruch, Dutch Foreign Minister Stikker believes that the proposed UN Security Council message to the UN Commission for Indonesia (instructing the Commission to assist the parties in removing the obstacles to the holding of the proposed conference at The Hague) will be unacceptable to the Dutch Cabinet. Stikker declares that he and the Prime Minister may have to resign if the Cabinet is forced to a decision on the message. Stikker points out that such an event would be unfortunate if it interfered with his signing of the Atlantic Pact. Ambassador Baruch believes that Stikker exaggerates the opposition in the Netherlands to the proposed message.

(CIA Comment: CIA concurs in Ambassador Baruch's estimate and believes that the Dutch Cabinet will probably acquiesce in the UN proposals.)

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GENERAL

- 1. US will refuse to jeopardize Austrian economic independence--
The Department of State has informed US representative Reber in London, in reply to his report that British and French representatives might be willing to make economic concessions to the USSR, that the US will not make concessions sacrificing Austrian economic independence in order to buy Soviet agreement on the frontier and reparations issues. The Department believes that the US must continue to insist on the relinquishment of Soviet control over eastern zone industry. The Department advises Reber that the US should closely link its resistance to economic concessions and its opposition to frontier concessions in order to demonstrate to the Austrians, if negotiations break down, that the intent of the US has been to protect Austria's future.
- 2. Transjordan reports ultimatum from Israel--King Abdullah of Transjordan has informed US Charge Stabler in Amman that
at the 22 March Israeli-Transjordan meeting, Israeli representatives made detailed demands for front-line adjustments on the north-central front. According to Abdullah, the Israelis announced that unless their final demands were incorporated into a formal agreement within 24 hours, they would not acquiesce to the proposal that Transjordan take over the Iraqi front in Palestine. Stabler adds that Abdullah would attempt to obtain more reasonable adjustments if he could be certain that the US would prevent Israel from reopening hostilities.



CIA-5

FAR EAST

- 3. CHINA: Acting President contemplates Moscow visit--Acting President Li Tsung-jen has requested US Ambassador Stuart to obtain US comment on Li's proposed journey to Moscow for the purpose of discussing the Chinese situation with Soviet

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leaders. The Acting President reportedly feels that a cool Soviet reception of his proposal to visit Moscow would indicate that the Chinese Communists have no intention of negotiating a peace but that a Soviet invitation would be encouraging regarding peace prospects. Under these circumstances, Li would attempt to persuade Soviet leaders to restrain the Chinese Communists in the impending peace negotiations.

(CIA Comment: CIA believes that the weakness of Li's position in China compels him to seek support wherever he can find it. The USSR is undoubtedly aware of Li's weakness, however, and would not regard Li as an effective instrument for advancing Soviet interests in China. The Kremlin response to any overtures made by Li concerning a visit to Moscow is likely to be noncommittal but essentially negative.)

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GENERAL

1. Portugal removes objection to Atlantic Pact--The Portuguese Foreign Minister has told US Ambassador MacVeagh that Portugal is satisfied that its desire to limit adherence to the Atlantic Pact to ten years is impracticable. The Foreign Minister emphasized that the duration of the Pact was the only point to which Portugal objected. He added, however, that several days must elapse before Portugal can reply to the Pact invitation because Spain has invoked the Luso-Spanish treaty which requires the two nations to consult on security matters. The Foreign Minister indicated that there is no disharmony between the Luso-Spanish treaty and the Atlantic Pact and added that "Portugal will not sacrifice her interests merely to please Spain."

(CIA Comment: CIA believes that Spain may have sought to delay Portuguese entry into the Atlantic Pact in the hope of gaining a bargaining position favorable to Spanish inclusion in the Pact. CIA believes Portugal will sign despite Spanish opposition.)

2. Reported Soviet offer to cease Greek guerrilla aid--US Ambassador Grady in Athens transmits a report that the Soviet Ambassador in Ankara has informed his Greek colleague there that the USSR would stop aiding the Greek guerrillas if the Athens Government would guarantee not to support Tito if trouble breaks out in Yugoslavia. Grady cites the French Embassy in Athens as his source.

(CIA Comment: CIA gives little credence to this report. The USSR has consistently denied that it is providing aid to the Greek guerrillas, and it is highly improbable that a Soviet diplomat would admit in this fashion that the USSR had intervened in the Greek civil war. If such an offer has actually been made, however, it would probably be a part of the war-of-nerves against Tito rather than a serious attempt to win the support of the violently anti-Soviet Greek Government in an intrigue against Yugoslavia.)

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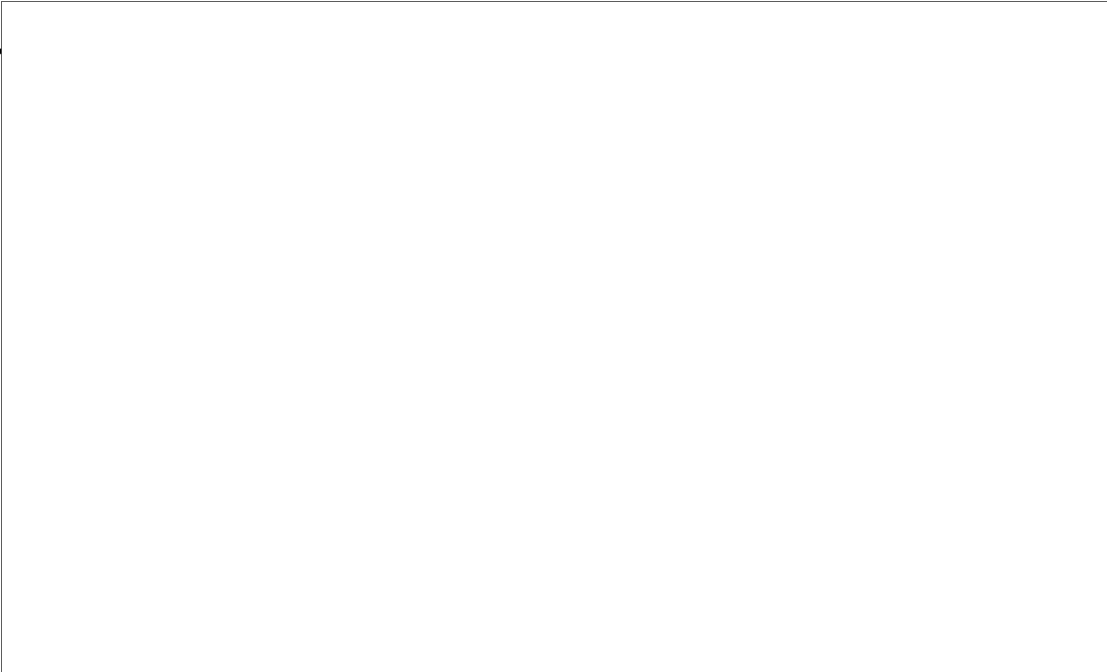
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GENERAL

- 1. Icelandic action on North Atlantic Pact--US Minister Butrick in Reykjavik has been told by Iceland's Foreign Minister that the Government is sure of the support of at least 36 of the 52 votes in the Althing for the North Atlantic Pact and that debate will probably begin 28 March. The Foreign Minister added that he anticipates two days of discussion prior to the vote and that there is real apprehension the Communists may attempt to prevent Althing action by force.

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(CIA Comment: CIA believes that although Communists in Iceland are capable of creating serious disturbances, they are unlikely to avert favorable action on the Pact by the Althing.)

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GENERAL

1. US position regarding Israeli-Transjordan negotiations --
 The Department of State has advised US Representative Stabler in Amman of its view that US representations to Israel regarding current negotiations with Transjordan would not be productive at this time. The Department authorized Stabler, however, to tell King Abdullah that the US would be prepared to give strong advice against any action leading to a serious breach of the secret Israeli-Transjordan agreement. In reply, Stabler has indicated that he still believes the US should take a stronger line toward the Israelis in view of their "defiant and threatening attitude." Stabler suggests that if the US does not take such a line, Israel may extend its frontiers to the Jordan before peace is concluded in Palestine.

CIA/s

2. Denmark desires token arms shipment from the US -- The Danish Prime Minister has expressed to the US Charge in Copenhagen his disappointment with the negative decision of the US regarding Denmark's request for arms. The Prime Minister indicated he hopes Denmark may promptly receive a "symbolic" arms shipment. The US Charge agrees with the Prime Minister that such a shipment would have a beneficial political effect and would bolster military morale.

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GENERAL

1. President advises Abdullah of US position--US Representative Stabler in Amman has been instructed to transmit a message from President Truman to King Abdullah of Transjordan concerning the attitude of the US toward territorial adjustments in Palestine. The President's message reiterates the US view that Israel should offer territorial compensation for any additions to its territory beyond the boundaries established in the UN resolution of 29 November 1948. After pointing out that the draft Israeli-Transjordan agreement stipulates that its provisions will not prejudice an ultimate political settlement between the parties, the message assures King Abdullah that the US would regard any attempt at a major break of the agreement as a serious obstacle to peace in Palestine and would be prepared to make strong representations to any party making such an attempt.

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FAR EAST

2. CHINA: Continued US aid held necessary--US Embassy Nanking expresses the view that Acting President Li Tsung-jen has won the respect and admiration of the majority of politically articulate Chinese as a result of his vigorous peace efforts. The Embassy points out, however, that economic deterioration in Nationalist China has continued at an accelerated pace and declares that if the US does not continue economic aid on the present scale for the next few months, Li will probably be forced to make an early capitulation to the Communists.

CIA/S

(CIA Comment: Li's political achievements of the past two months have been made possible by a lull in military operations and by widespread hopes in China for peace. Li's government, however, lacks the actual power to withstand renewed Communist military operations. CIA believes external assistance during the next few months on the present scale would not alter this situation.)

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A N N E X

**PRELIMINARY APPRAISAL OF THE
MILITARY COUP IN SYRIA**

Colonel Husni Zaim, Chief of Staff of the Syrian Army, seized control of the Syrian Government on 30 March. Although detailed information is lacking, Zaim and his ultra-nationalist followers will probably be able to consolidate their control over the Government and, by ruling with a strong hand, may be able to solve many of Syria's internal difficulties. Despite Zaim's nationalistic program, US-Syrian relations are not expected to deteriorate appreciably (Zaim is personally friendly toward the West). However, the coup will probably have certain adverse effects. It will check the scheduled Syrian-Israeli armistice talks; Zaim will unquestionably cite the decision of the previous government to enter into these negotiations as proof of that government's unfitness to remain in office. There will also be inevitable delays in the ratification of the agreement for the Trans-Arabian petroleum pipeline and the French-Syrian financial agreement. Moreover, the danger exists that the Syrian coup may provoke disturbances in other Arab states, particularly Iraq and Egypt. Neither of these countries is sufficiently stable politically to insure surviving a serious local outbreak.

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GENERAL

1. Dutch conditions for participation in UNCFI discussions--
US Representative Cochran in Batavia has received from the Netherlands delegation there a letter expressing the willingness of the Dutch to participate in discussions with leaders of the Indonesian Republic and UNCFI (the UN Commission for Indonesia), as proposed by the UN Security Council on 23 March. The Netherlands letter indicated, however, that Dutch acceptance is based on the understanding that such discussions will not prejudice the rights, claims, and positions of the two parties and consequently will not prejudice the responsibility of the Netherlands for "freedom and order in Indonesia." Representative Cochran expressed his disappointment over the reference to Dutch responsibilities in this reply and expressed his fear that such a reference might cause the Republicans to impose conditions on their acceptance.

CIA-5

(CIA Comment: The proposed Netherlands-Indonesian discussions with UNCFI are to be held for the purpose of assisting the parties in removing the obstacles--primarily the question of restoring the Republicans to authority in Jogjakarta--to the holding of a conference at The Hague on the over-all Indonesian problem. CIA believes that the Republicans are already seriously considering refusing to attend the UNCFI meetings and shares Representative Cochran's view that the Dutch reply may lead to Republican conditions on acceptance.)

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GENERAL

1. Possible Dutch delaying action--US Representative Cochran suggests that the conditional Dutch agreement to participate in the impending Batavia discussions, together with the delay in assembling the Dutch delegation there, represents a deliberate delaying action. Cochran further suggests that the Dutch hope thereby to permit the situation in Indonesia to deteriorate to a degree that either the transfer of sovereignty to the Indonesians would appear unwarranted or the transfer would take place under such chaotic conditions that the new government would be unable to restore order and would be discredited. He indicates that the Dutch might then insist that Security Council policy had been in error from the start and request UN aid in putting down "a Communist war." Cochran believes that unless the Dutch cooperate fully at the Batavia meeting, a vigorous and condemnatory UNCFI report to the Security Council is inevitable.

CIA-5

2. US against proposed Soviet-Iranian bargain--The Department of State has informed US Embassy Tehran that the US has made a negative response to a tentative British recommendation that Iran offer to withdraw its case against the USSR from the UN Security Council in return for a Soviet agreement to nullify Article 6 of the 1921 Soviet-Iranian Treaty (authorizing the USSR to send troops into Iran under certain circumstances). The Department informed the British of the US view that the Shah would be ill-advised to make such an offer and declared that retention of Iran's case on the Security Council agenda, in view of the recently increased Soviet pressure on Iran, is more desirable now than ever. The Department added that in seeking the nullification of Article 6 of the 1921 treaty, Iran would be bargaining to obtain a position already possessed under annexes to the 1921 Treaty and under the UN Charter.

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EUROPE

3. **GERMANY: Clay asks OMGUS break with Czechoslovaks**-- According to US Political Adviser Riddleberger in Frankfurt, General Clay recommends that US military authorities in Germany break off all relations with Czechoslovaks until satisfaction has been received for the recent sentencing of US soldiers in Czechoslovakia. Clay indicates that such measures should include the expulsion of all Czechoslovak officials and the closing of the border to international transit traffic. Riddleberger expresses his view that Clay's proposal would mean a break of relations between the US Military Government in Germany and Czechoslovakia, not one between the US and the Czechoslovak governments.

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4. **GREECE: US aid program thought succeeding**--US Ambassador Grady, in recommending the continuance of US military aid to Greece, expresses the belief that the outlook for a successful conclusion of the campaign against the guerrillas is more favorable now than at any time since the inception of the US aid program. Grady feels that a solid basis for the reduction of the civil war to minor proportions has now been established through: (a) the vigorous leadership exercised by General Papagos since the "black" days of January; (b) the effectiveness of the new coalition government in furthering military and economic progress; and (c) the steady increase in popular morale which has taken place within the last three months. Grady stresses, however, that the present outlook is based on the assumption of continuing US aid. Grady comments that US failure to appropriate the funds required for continuation of the aid program would not only have a serious material effect but also, by damaging Greek morale, might well nullify the successes which have been achieved with such difficulty to date.

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