

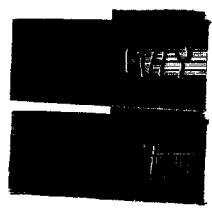
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369

EUROPE

1. FRANCE: Workers force CGT leaders to call Renault strike--US Embassy Paris reports that a "strong manifestation of worker discontent" with the (Communist) leadership of the CGT (General Confederation of Labor) is evident in the Renault plant strike, which began in spite of Communist opposition and showed such signs of success that the CGT reversed its policy and ordered all Renault workers to strike. The Embassy states that this strike "represents the first open surrender of CGT leadership to the rank and file" in its demands for an increase in the present low wage scale. The Embassy adds that it "appears almost inevitable" that this CGT action will encourage further strikes in the Paris region with possibly serious political and social developments.

Cabinet may fall on strike issue--A high ranking official of the Ministry of Interior has informed the Embassy that it is "very possible that Prime Minister Ramadier will hand in his resignation" on 1 May, because Communist support of the Renault strike openly violates ministerial solidarity. The Embassy comments that by this action the Communists would gain the double advantage of not breaking with the Government over the unpopular colonial issue and, at the same time, of posing as the champions of the working class.



2. ITALY: SACMED favors external civil air operations--The Supreme Allied Commander Mediterranean has informed the Combined Chiefs of Staff in Washington that Italian civil aircraft, from the point of view of safety and operation, now conform to international standards. He has requested authority to permit the Italian Government "to start external civil air lines forthwith."

(CIG Comment: If Italy is admitted to ICAO (International Civil Aviation Organization) at the forthcoming Montreal meeting, as appears probable, Italy will be prevented from making any air agreements with its eastern neighbors except on a fully reciprocal basis.

NEAR EAST-AFRICA

3. EGYPT: Nokrashy apparently expects to lose Egyptian appeal in SC--US Ambassador Tuck reports that Premier Nokrashy, although apparently convinced that Egypt will lose its case against the UK in the Security Council, will press the appeal in order to air the full facts of Egypt's

- 1 -

Document No. 027  
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 Auth: DDA REG. 77/1763  
 Date: 7/1/78 By: 009

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position "before the world." Tuck has been reliably informed that Nokrashy now realizes that Egypt can frame no case under any specific article of the UN Charter "which will hold water." Tuck adds that 18 May is suggested as the date for submitting the Egyptian case to the SC. (CIG Comment: In view of violent anti-British sentiment in Egypt, Nokrashy undoubtedly feels that he must present the Egyptian case in order to protect his own position.)

#### FAR EAST

4. **CHINA: Government seeks US military as well as financial aid--T.V. Soong recently informed US Ambassador Stuart that China's Central Government is seeking military as well as financial assistance from the US. Requests for military aid, Soong revealed, would cover ammunition, completion of the "8-1/3 Air Group program" (strengthening the Chinese Air Force), and appointment of a US Military Adviser to Chiang Kai-shek.**  
 The Generalissimo reiterated these requests in subsequent conversations with Stuart, pointed out that the ammunition shortage was lowering Nationalist troop morale, but admitted that other factors were also "too prominent" in their effects on fighting spirit. With respect to the Air Force, Chiang observed that "the airplanes were old," but declared that he "did not know" about his own Chief of Staff's plans to utilize 56,000 tons of air supplies and equipment -- half of which were usable or repairable -- now located in two southern Chinese cities. (Chiang also indicated that he was "unaware" of the proposed movement of Nationalist tactical groups from the Nanking-Shanghai area unaccompanied by service group support.)
5. **KOREA: US defines "exact execution of Moscow Agreement"--In his reply to Molotov's 19 April proposal that the Joint Commission be reconvened on the basis of an "exact execution of the Moscow Agreement," Secretary Marshall has written Molotov that the US interprets this phrase to mean that representatives of Korean democratic parties and social organizations shall not be excluded from consultation with the Joint Commission because of opinions they may hold or may have expressed in the past concerning the future government of their country, provided that these representatives are now prepared to cooperate with the Commission.**

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Secretary Marshall also indicated his willingness to reconvene the Joint Commission when the Soviet Government has confirmed that it will agree to this definition.

### THE AMERICAS

6. CUBA: Possible revolution in Cuba--The Seventh US Naval District headquarters reports that it has received from two sources information considered "reliable" to the effect that a revolution will start in Cuba within the next two days.

- 3 -

~~TOP SECRET~~

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MAY 1947

~~TOP SECRET~~

370

GENERAL

1. UK denies military will assume control of Palestine--US Ambassador Douglas reports from London that the UK Colonial Office has categorically denied that the British military "would very soon take over complete control of Palestine" (as previously reported by a Jewish Agency official in Palestine; see Daily Summary of 25 April, item 1).

EUROPE

2. GREECE: Communist exploitation of WFTU--US Ambassador MacVeagh reports that the continued use of the World Federation of Trade Unions by the USSR to further its Communist objectives is becoming a matter of serious international concern. In Greece, the Communists and Communist Trade Union leaders claim CIO and British Trade Union Congress backing against the present Greek Government because the CIO and TUC are members of the WFTU. The continued silence of the CIO in the face of Communist exploitation of the WFTU confuses many workers in Greece and Europe, creating the impression that the US is not generally behind President Truman's Greek policy, and enabling the Communists to claim the support of millions of US workers. (The AF of L and ILO (International Labor Organization) have recognized the Government-sponsored anti-Communist Trade Unions Organization in Greece.)

UK fears appeasement of Slav bloc in Border Commission--The British Foreign Office has expressed concern to the State Department over reports from the UK delegate on the SC Border Commission that a French-led "center bloc" has emerged in the Commission and that this bloc believes that the Commission's Report should not draw conclusions from the evidence presented, but should merely present recommendations (thus avoiding any direct attribution of blame to Greece's northern neighbors). The Foreign Office believes it would be "lamentable" if the French take any steps which prejudice an agreement by the majority of the Commission, and which, in turn, would "amount to accepting the Soviet thesis that the frontier situation arises from the Greek internal situation." The Foreign Office has instructed its Ambassadors in France and Belgium to express the hope that the delegates of those countries will not "attempt political maneuvers" to "appease the Slav bloc," and has asked the US to make a appeal to those countries and to China, Brazil, and Columbia.

Document No. 028

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 3/4/78 By: 009

- 1 -

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371

EUROPE

1. HUNGARY: Communists discourage contacts with US officials--Commenting on the recent arrest of Hungarian officials, the President of the National Assembly has told US Minister Schoenfeld that "everyone in contact with the British or Americans is presently a marked man." Schoenfeld adds that (a) his British colleague is increasingly conscious of coolness and obstructionism on the part of Hungarians; and (b) according to a "reliable" source, the Communist Minister of Interior following the Moscow Conference ordered the political police to "discourage by all necessary means contact between Hungarians and foreigners."

FAR EAST

2. FRENCH INDOCHINA: Trend of negotiations--US Consul Saigon reports that French negotiations in Indochina follow two definite trends: (a) to recognize Ho Chi Minh as head of the Vietnam Government because of his "undoubted influence" with most of the natives; and (b) to deal with Bao Dai (former Emperor of Annam), who "apparently has Chinese backing and enjoys growing popularity." A source who "often gives correct information" has expressed to the US Consul his belief that French-Vietnam negotiations are "proceeding faster than anticipated," and that Ho Chi Minh will remain in power.

Document No. 029  
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DDA Memo, 4 Apr 77  
Auth: DDA REG. 77/1763  
Date: 3/4/78 By: 009

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MacVeagh urges new amnesty--Prime Minister Maximos has accorded favorable reception to Ambassador MacVeagh's suggestions that: (a) continued talk of further increase in army strength, above that temporarily necessary to relieve older classes, would be unwise in the face of present "US Congressional and Departmental thinking" on aid to Greece; (b) the Greek Government might declare a new amnesty on broad lines and invite the UN to send neutral (neither US, UK, nor Soviet) observers to satisfy world opinion as to its implementation; (c) the Government set up a foreign trade administration in advance of the arrival of the US mission.

(CIG Comment: It will be particularly difficult for Maximos to implement point (b), as parliamentary leaders have attacked bitterly Liberal Party proposals for a new amnesty and have gone to the extreme of demanding the execution without delay of all death sentences for crimes committed during the revolution of December 1944.)

#### FAR EAST

1. KOREA: Indications of a possible Soviet withdrawal from North Korea--According to General Hodge, the US Liaison Officer with the Soviet Forces (recently returned from North Korea) reports accelerated reductions of Soviet troop strength in that area and increased activity of the North Korean native army. General Hodge considers it entirely possible that the USSR may withdraw completely from North Korea in the near future and may then demand the immediate withdrawal of US Forces or allow the North Korean native army to start operations for the "liberation" of South Korea.

#### THE AMERICAS

2. CHILE: Anti-Communist labor organization to be formed--US Ambassador Bowers reports that: (a) a new Latin American labor organization is to be formed shortly to compete with the Communist-dominated Confederation of Latin American Workers; (b) the organization will be formed during a ten-day meeting in Montevideo, Uruguay; and (c) the Chilean delegate will be Isodoro Godoy, Socialist Secretary of the Confederation of Chilean Workers. (A recent campaign by Socialist labor leaders to combat Communist influence within the CTAL has been unsuccessful.)

- 2 -

~~TOP SECRET~~~~CONFIDENTIAL~~

5 MAY 1947

~~TOP SECRET~~

372

GENERAL

1. Berry urges re-examination of US objectives in Rumania--US Representative Berry has expressed his belief that, in the light of recent foreign policy statements by the President and the Secretary of State, the time is now "riper for a re-examination of Rumania's place in the pattern of US objectives." Berry considers that "our chance of maintaining a hold in Rumania depends on our success in keeping Opposition parties in the field, just as the USSR's chance of dominating depends upon eliminating Opposition parties."

The first objective, Berry maintains, is to keep the Rumanian people informed of events taking place about them -- events which have demoralized and frightened them, because of the absence of real information. Achievement of this objective, Berry concludes, will "maintain US attitudes fully before the Balkan peoples" and will prevent the spread of Communism which "always withers in the spotlight." Berry, therefore, recommends that the Voice of America programs be completely revamped, preferably to include the establishment of a new radio station (either in Ankara, Athens, or on a Greek island), directed solely to the Balkans, which would concentrate on: (a) US attitudes on vital world problems; and (b) factual and detailed reports on domestic affairs in the Balkan countries.

2. Jewish Agency official urges increase in illegal Palestine immigration-- A UK Colonial Office official has informed US Embassy London of a British intelligence report that David Ben-Gurion (Chairman of the Jewish Agency Executive), in a recent speech to the JA Executive in Jerusalem, urged intensification of efforts to increase illegal immigration to Palestine. Ben-Gurion reportedly stated that: (a) if the JA cannot move "sizeable quantities" of immigrants to Palestine during the next few months, the "marked tendency" among DP's in Europe to give up the idea of going to Palestine will be "accelerated"; (b) Zionism is appearing increasingly less attractive to Jewish DP's; and (c) within a year "at least half" of these DP's will no longer insist on going to Palestine unless the JA "produces results."

3. Dunn urges statement on Italy by President--US Ambassador Dunn is convinced that no improvement in the condition of Italy can take place so long as the Communists participate in the Government. Dunn believes that "direct relief and coal" are of real importance in combatting Communism, but he doubts that any other forms of relief would be effective

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Auth: DDA REG. 77/1763

Date: 7/1/78 By: 009

- 1 -

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until: (a) the Communists are eliminated from the Cabinet; and (b) the US makes clear, by appropriate propaganda, its anti-Communist policy. He urges that President Truman make a public statement supporting the forces of democracy in Italy and expressing confidence that the people will reject a totalitarian regime that would break down the close ties that bind the Italian and US peoples.

## EUROPE

4. FRANCE: Bidault anticipates fusion of US-UK-French Zones Germany-- Foreign Minister Bidault has told US Ambassador Caffery that he "particularly appreciated" the attitude of the Secretary of State at Moscow in regard to the coal question, because aid was "graciously extended" without any attempt to bargain. "With that in mind," Bidault said to Caffery, "I will tell you most confidentially that I am looking forward to the time when I hope to be able to bring about a fusion of our Zone in Germany with yours and the British."

Vatican advises MRP to "intensify" anti-Communism--US Ambassador Caffery has been told by a "trustworthy source" that the Pope has "made it clear" to MRP leader Francisque Gay that in the Vatican's opinion the MRP should "intensify its opposition to the Communist movement, not only with respect to internal but also external affairs; the Pope also recommended that the MRP should "stand aside" from the Gaullist movement.

5. AUSTRIA: US may be "compromised" by grain shortage--Headquarters US Forces Austria reports that after 1 July 1947 the US position in Austria may be "seriously compromised" and requests that HQ's responsibilities be "clarified" with regard to supply and the duration of occupation. HQ states that "Austria will be completely out of bread grains on 1 July unless shipments are started from the US immediately."

## NEAR EAST-AFRICA

6. IRAN: US prepared to support Iranian independence--The State Department has informed US Ambassador Allen, in view of Qavam's concern over Soviet accusations of Iran's "anti-Soviet and pro-US policy," that:

- 2 -

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(a) the US is prepared to support Iranian independence by acts as well as words "so long as the Iranian Government sincerely desires independence and demonstrates its willingness to stand up for Iran's sovereignty"; and (b) the US expects stepped-up Soviet activities in Europe and the Middle East in the near future (see Daily Summary of 29 April, item 6). The Department also expresses its willingness to support formal application by Iran for a World Bank loan provided it is based on an effective plan to benefit all the Iranian people.

## FAR EAST

7. FRENCH INDOCHINA: Slow progress of pacification--US Consul Hanoi reports that the French policy of arming local partisans in villages re-occupied by the French is a tacit admission that France lacks sufficient forces to restore order without native aid. The Consul adds that the French campaign in the Tonkin Delta during the past two months has not made much progress in pacifying the area or eliminating any large portion of Vietnam forces.
8. JAPAN: SCAP proposes 1947-48 Antarctic whaling expedition-- In view of Japan's continuing shortage of protein foods and edible oils and the inadequate yield of marine products from presently-authorized Japanese fishing areas, SCAP believes that the Japanese should be authorized to dispatch a SCAP-administered whaling expedition to the Antarctic in the 1947-48 season, patterned after the 1946-47 expedition. (The State Department last year answered protests from the UK, Australia, New Zealand, and Norway by assurances that the 1946-47 expedition was "an emergency measure for one season only," and that no future expeditions would be authorized without prior inter-governmental consultation.)

## THE AMERICAS

9. ECUADOR: Loan from Argentina disclaimed--The Subsecretary of the Foreign Office has disclaimed to US Embassy Quito any knowledge of a 600-million peso loan from Argentina (reported in the local press). The official said that a new commercial treaty might be discussed with the Argentine Government, and added that "the mere discussion of a commercial treaty is always linked in the Ecuadorian mind with financial assistance to the government."

- 3 -

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373

EUROPE

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1. FRANCE: CGT anticipates no serious strikes at present--US Ambassador Caffery reports that both Communist and Reformist groups in CGT headquarters (General Confederation of Labor) are "quite calm about the political crisis and state that there is no reason at present to anticipate a serious strike situation."
2. ITALY: Dunn urges surplus US weapons for Army--US Ambassador Dunn supports the proposal of US General Lee, Acting Supreme Allied Commander Mediterranean, that surplus US artillery, ammunition, and tanks now in Italy be turned over without charge to the Italian Army. Dunn recommends that this "action be taken urgently" because "it is extremely desirable that we leave in Italy an Army capable of defending its frontiers and providing for internal security."
3. GREECE: US urges Greek initiative on amnesty question--The State Department has informed US Ambassador MacVeagh of its belief that Greece should immediately take the initiative in announcing an effective amnesty for political prisoners and Greek guerrilla bands, in order to forestall an amnesty recommendation by the Security Council's Balkan Investigating Commission. The Department feels that this question is "primarily a Greek internal matter." The Department has instructed MacVeagh to bring up the question with appropriate Greek officials, and has suggested that "perhaps a favorable reaction would result if the new King early in his reign should take such a generous step by royal decree."

FAR EAST

4. CHINA: Press increasingly critical of US--US Embassy Nanking, in a summary of recent Chinese press comment, notes that papers reflecting both right-and left-wing political views have become increasingly and more bitterly critical of US foreign policy, and are blaming the US as well as the USSR for "the failure at Moscow." A Kuomintang editorial has stated that "no participant at Moscow was willing to make a concession . . . which might damage special interests," while an independent paper has accused the US of "attempting to secure world

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

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domination." Right-and left-wing comment has included accusations that the US was "fostering a conservative Japan for its own objectives to the damage of China" --a strategy attributed to "US fear of the Soviet Union."

Nationalist weakness apparent in Manchuria--The US Military Attache Nanking, recently returned from Manchuria, believes that Chinese Communists in that area have "enjoyed substantial success" in achieving their stated objective: to eliminate Nationalist military strength. The high rate of Nationalist combat losses, and a low rate of replacements from China proper, has reduced by 30 to 50% the actual combat strength of one of the US-trained Nationalist Armies in Manchuria. The Attache describes the Nationalist commander in northeast China (Manchuria), Tu Li-ming, as egotistical, professionally incompetent, and very jealous of his comparatively able subordinates. Ambassador Stuart comments that the presence of incompetent officers in positions of high command, to the exclusion of more able, younger men, is "unfortunately not untypical of the military hierarchy in China."

#### THE AMERICAS

5. PARAGUAY: Developments in revolution--US Charge Trueblood reports that: (a) the Communists were largely responsible for the 28 April revolt in Asuncion, in which Communist civilians fought "fanatically" along with Navy enlisted men; (b) the Government is mystified as to the source of the rebels' "plentiful" supplies; (c) the Morinigo Government, with its home front "solid" for the first time, is now free to "strike hard" against the rebels in the north; and (d) prominent Paraguayan Army officers, hitherto neutral, now believe that their country's best hope of stability is the Morinigo Government.

- 2 -

~~TOP SECRET~~  
~~CONFIDENTIAL~~

7 MAY 1947

~~TOP SECRET~~

374

EUROPE

1. ITALY: De Gasperi proposes broadening Cabinet--US Ambassador Dunn reports a confidential conversation with De Gasperi in which the Premier expressed himself as believing it desirable for him to broaden the composition of the Cabinet in order to include additional parties of the Center. De Gasperi added that Communist leader Togliatti appears to approve this move under certain conditions while Nenni, leader of the left-wing Socialists, appears to be less amenable. The Premier emphasized the gravity of his country's economic situation and urged that Mr. Clayton visit Italy at least to talk over the situation.

(CIG Comment: A broadening of the Cabinet would not substantially allay the widespread popular fear and lack of confidence in the present Government so long as the Communists are in a position to weaken and undermine the Cabinet's efforts.)

2. SPAIN: Short-term factors sustain Franco--US Charge Bonsal reports that since the announcement of the proposed Law of Succession "surface developments" have "temporarily" strengthened Franco, largely because of the latter's skillful handling of the local situation. The Charge considers that while the "regime looks stable over next few months," its "slow deterioration" is continuing.

3. AUSTRIA: Communists forcing Cabinet action on food--US Legation Vienna reports that as a consequence of a Communist demonstration which penetrated the Chancellery despite police protection, a special session of the Cabinet has considered the demands of the Trade Union Federation (TUF) for better food rations and has decided to make a direct appeal to the Allied Council. The Cabinet also has decided to give publicity to the fact that Soviet restriction on the movement of potatoes from lower Austria to Vienna is the chief reason for the present scarcity.

The Legation reports that a serious rift has developed between the Socialists and the Communists within the TUF; the Socialists rejected demands for a general strike and threatened to eject the Communists. The Legation believes, however, that the agitation for a general strike may win some support from the Socialist rank-and-file and thus gradually force the Socialist Party to join with the Communists in advocating new elections. The Legation comments that, as hunger is the central issue, the Socialists are finding it difficult to condemn the agitations outright.

Document No. 032

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DDA Memo, 4 Apr 77

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Date: 3/4/78 By: 009

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#### NEAR EAST-AFRICA

4. INDIA: Pakistan seems likely--US Embassy New Delhi reports that, while the Viceroy intends to make one last effort to gain acceptance of the Cabinet Mission's plan for the establishment of a central Indian government, it now seems more likely than ever that "some sort" of Pakistan will be conceded.

#### FAR EAST

5. FRENCH INDOCHINA: Possibility of Chinese intervention in Indochina--US Consul Hanoi reports that, according to a French news agency, the Chinese Foreign Office is protesting to the French over recent losses of Chinese lives and property in the hostilities in Tonkin. The Consul suggests that China may utilize prolonged crises as an excuse to intervene in Tonkin; he cites a report that the Chinese Consul General believes Chinese troops may be sent if disorders continue to affect Chinese subjects in Indochina.

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8 MAY 1947

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375

GENERAL

1. Bidault says USSR forcing western bloc--US Charge Keith Warsaw reports that, when Bidault passed through Poland on his return from Moscow, Bidault said that "Russia did everything it could to organize the western bloc and it will get it." Keith adds that views expressed by "some of the officers of the French Embassy here" have reflected a growing readiness to be critical of the USSR and an increasing good will toward the US.
2. French threaten to cancel Polish air service to Paris--US Embassy Paris has been confidentially informed that the Poles are "attempting to back down" on their previous informal authorization for Air France to schedule flights to Warsaw. The French have informed the Poles that, if the matter is not settled satisfactorily by 31 May, they will cancel the present arrangement by which the Polish airline LOT lands at Paris. (The French recently asked the Polish Government for an agreement which would regularize the current Polish flights to Paris and give the French clear rights to fly to Warsaw; see Daily Summary of 21 April, item 2.)
3. Italians may offer assets in Rumania to pay USSR reparations--US Representative Berry has learned from the Italian Legation in Bucharest that the Italian Government is considering offering Italian assets in Rumania as partial payment of reparations due the USSR. (These assets reportedly have a total value of about \$30,000,000 and include important petroleum and lumber enterprises.) Berry adds that "such a development would be another major step toward completing Soviet control of the Rumanian economy."

EUROPE

4. UK: Italian Ambassador's views on US aid to Italy--A high Foreign Office official has told the US Embassy London that in the opinion of Carandini, the Italian Ambassador, the US should not attach "anti-Communist strings" to any agreement that might be reached with the Lombardo Mission now en route to the US. Carandini said that the Italian political balance could not stand the "bitter agitation" that

Document No. 033

NO CHANGE in Class.

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Class. CHANGED TO: TS S

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 3/4/78 By: 009

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would be precipitated by the Communists in Italy if such a stand should be taken by the US. The Foreign Office official, the Embassy adds, is inclined to agree with Carandini.

5. AUSTRIA: Strike threat temporarily removed--US Legation Vienna reports that the threat of a Communist-instigated strike (see Daily Summary of 7 May, item 3) has apparently passed for the present, as a result of the Government's promise of "better rationing."
6. HUNGARY: Soviet economic demands--US Minister Schoenfeld reports that the Hungarian Foreign Office is "gravely concerned" by a recent Soviet demand that Hungary pay to the USSR all pre-war Hungarian debts to Germany. The Foreign Office stated that the payment of this debt (estimated at approximately \$150,000,000) would jeopardize the entire economic and financial structure of Hungary as well as Hungary's proposed three-year economic plan.

Government delays answer to US air request--The Hungarian Foreign Office has also told Schoenfeld that it hopes to defer for a few weeks an answer to the recent US note requesting non-discriminatory civil air transport rights in Hungary (see Daily Summary of 28 April, item 3). The Foreign Office explained that, in view of the "extreme difficulty" in regard to the Soviet demand for settlement of Hungary's pre-war German debts, the Government is fearful of pressing the USSR at this time for its consent to Hungarian compliance with the US aviation request.

#### NEAR EAST-AFRICA

7. EGYPT: Nokrashy willing to defer Sudan issue--US Ambassador Tuck has been informed by a reliable source that the Sudanese question has become of secondary importance to Prime Minister Nokrashy whose "motivating ambition is to go down in history as the man who got the British out of Egypt." Source also states that if the British would announce an intention to evacuate Egypt (the British have already withdrawn from all of Egypt except for the Canal area) "say by December 1948," Nokrashy would drop the Egyptian case before the UN and prepare the way for a treaty deferring settlement of the Sudanese question.

- 2 -

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(CIG Comment: Nokrashy's attitude may also be influenced by his realization of the weakness of Egypt's case against the UK with respect to the Sudan.)

### FAR EAST

8. CHINA: Minority party members refuse Government posts--US Ambassador Stuart reports that Li Huang and Tso Shen-sheng, members of the Young China Party who had been nominated as Ministers of Economic Affairs and of Agriculture and Forestry respectively, have formally refused to accept their new positions. (Their refusal leaves the Executive Yuan, top administrative organ of the Central Government, virtually unchanged by the recent "reorganization," except for some newly-added ministers without portfolio.) Li Huang apparently recognized that the Economic Affairs Ministry, while lacking decisive powers, nevertheless could still be made the target for criticism as a result of the continuing economic deterioration in China. Stuart adds that the Social Democratic Party -- the only other minor Party taking part in governmental reorganization -- appears to have been seriously split by the decision of its leader, Carson Chang, not to participate in the Government with other members of his Party.
9. FRENCH INDOCHINA: French plans in Indochina--US Consul Saigon reports that he has been informed by a "usually reliable source" that the French have no concrete plan for the future of Indochina except to abandon the idea of political federation and to insist upon an economic and cultural agreement which will embrace all French Indochina and will include free ports and transit rights for Laos and Cambodia through Vietnam territory. Source also believes the French will press the idea of a Vietnam Federation including Cochin China, with local autonomy for each of the three components: Tonkin, Annam, and Cochin China. Source reports further that the majority of the French in Indochina feel that "China is the eventual danger to French and whites in Indochina." Source predicted that Vietnam eventually would be Chinese-dominated and that Cambodia and Laos would be forced into a Siamese-dominated Buddhist bloc.

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**THE AMERICAS**

10. **ARGENTINA: British firm negotiating to build naval vessels--US Naval Attache Buenos Aires reports that, according to a "very reliable source," a representative from Vickers is currently negotiating a contract for the construction of four destroyers, three submarines, and two auxiliary vessels for the Argentine Navy. (ALUSNA previously reported that Argentina was negotiating, with a local firm representing Vickers, for the purchase of a cruiser; see Daily Summary of 18 March, item 6. The British Ambassador in Washington subsequently commented to the State Department that the British contemplated supplying Argentina with a "trivial" amount of arms replacements.)**

- 4 -

~~TOP SECRET~~

~~CONFIDENTIAL~~

9 MAY 1947

~~CONFIDENTIAL~~  
~~TOP SECRET~~

376

## EUROPE

1. RUMANIA: New wave of mass arrests--US Representative Berry reports that the second wave of mass arrests within two months began on the night of 4 May and is still continuing. According to a "qualified source," a total of 728 were arrested during the first wave in late March and early April, and already well over 1,000 have been arrested in this wave. Various reliable sources, according to Berry, believe the arrests foreshadow prosecution of Opposition members as fascists under Article 5 of the Peace Treaty and are the result of Kremlin charges that the regime is responsible for the strong Opposition because it has permitted too much freedom.

## FAR EAST

2. CHINA: Central Government will seek billion-dollar US loan--The Chinese Foreign Minister has informed US Ambassador Stuart that the Central Government will formally approach the US Government for a loan of US \$1,000,000,000, possibly for use over a three-year period. One-half of this sum would be used to purchase US supplies and equipment, about one-fourth for the utilization of Japanese reparations, and one-fourth for financing such commodity imports as raw cotton, foods, and gasoline. The Foreign Minister stated that the US loan would be used for rehabilitation and the construction of communications, mines and utilities, industry, and agriculture, and not for the reduction of the national budgetary deficit. He added, however, that imported commodities would be sold to the public.

In reply, Stuart pointed out "some of the problems from the American standpoint": (a) widespread feeling in the US that China's present Government is controlled largely by reactionary elements and is rife with corruption and graft; (b) US reluctance to aid one party in China's civil conflict, thus lengthening the conflict and strengthening reactionary tendencies; and (c) "purely American issues, such as the current emphasis on reducing the (US) budget, especially in aid to foreign countries."

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TOP SECRET Date: 3/4/78 By: 009~~CONFIDENTIAL~~

10 MAY 1947

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377

EUROPE

1. **FRANCE:** Communists await US economic crisis--US Embassy Paris reports that events of the past week strongly suggest that any Communist move to establish a Government in France requires further domestic and international preparation and apparently rests upon the doctrinaire Marxist assumption of "the coming economic crisis" in the US as the necessary background for any major left-wing action.
2. **HUNGARY:** UK Labor Party warns Social Democrats--The Hungarian Foreign Office has told US Minister Schoenfeld that the British Labor Party has threatened to sever its connections with the Hungarian Social Democrat Party if the latter continues to collaborate with the Communists. Schoenfeld believes that the threat is undoubtedly causing concern in the Social Democrat Party leadership and that it may reduce the influence of the Party's extreme left-wing.  
(CIG Comment: Similar interference by the British Labor Party late in January, although instrumental in preventing an open break between the left and right wings of the Social Democrat Party, did not weaken the Party's left-wing leadership.)
3. **CZECHOSLOVAKIA:** Trade shifting rapidly from East to West--US Ambassador Steinhardt reports that published statistics for the first quarter of 1947 indicate that Czechoslovakia's trade is shifting rapidly from the East to the West. Approximately 85% of Czechoslovakia's exports to its ten largest customers went to the US, UK, and Western European countries, with only 15% going to the USSR and Yugoslavia. Ninety-three percent of Czechoslovakia's imports from its ten largest suppliers came from the US, UK, the Middle East and Western Europe, the remaining 7% coming from Bulgaria.

Steinhardt recommends wheat shipments by US--Steinhardt believes that Czechoslovakia "very definitely" requires some wheat during the next six weeks in order to maintain a proper standard of nutrition. He believes that it would be "highly desirable from a political as well as an economic point of view" to ship immediately a minimum of 50,000 tons and a maximum of 100,000 tons. Steinhardt emphasizes that any allotment that is made should be publicized and suggests that the wheat not be shipped until the Embassy reports that the Communist dominated Ministry of Information has given adequate publicity in Czechoslovakia to the assistance being rendered by the US.

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DDA Memo, 4 Apr 77

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4. **BULGARIA: Soviet troop withdrawals**--US Delegate ACC Sofia transmits as "possibly true" a report from a "fairly reliable" source that small-scale movements of Soviet troops from Bulgaria are already underway and that large-scale withdrawals will begin about 20 May via Rumania and Black Sea ports.
5. **POLAND: Government reported dissatisfied with amnesty results**--US Military Attache Warsaw reports that, according to a "reliable Government source," Polish authorities are dissatisfied with the results of the recent amnesty (according to press reports 55,000 persons surrendered to the security authorities), because it failed to bring out the important military and political underground leaders. The MA comments that although the underground organizations are disorganized, they certainly have not been dissolved.

#### FAR EAST

6. **CHINA: Nationalist military situation shows general deterioration**--Ambassador Stuart, who recently transmitted reports of Nationalist weakness in Manchuria (see Daily Summary of 6 May, item 4), indicates that the Nationalist military situation has shown general deterioration within recent weeks. Over-extension of Nationalist lines in the area north of Yen-an has necessitated the withdrawal of Nationalist troops from southern Shansi Province, thereby giving the Chinese Communists a military advantage in the latter area. In Shantung Province, the most critical theater at present, the Nationalist supply position has apparently suffered from the Communists' seizure of Taian on 24 April and the recent ammunition dump explosions at Hsuchow.

#### THE AMERICAS

7. **PARAGUAY: US Charge foresees "physical stability"**--US Charge Trueblood reports that (a) the Paraguayan Government appears to have exaggerated the role played by the Communists in the recent revolt in Asuncion (see Daily Summary of 6 May, item 5); (b) recent indications of a probable rebel defeat in the long run should not conceal the "violence or the extent of the opposition to Morinigo"; (c) the opposition

- 2 -

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**“Febrerista” Party, which has provided leadership in the current uprisings, now appears to enjoy the support of “the majority of the younger generation” not only over the country but also in Asuncion; but (d) the steadily-growing “battle-tested” strength of the FNR, the only Party supporting the Government, “augurs favorably for at least physical stability.”**

**(CIG Comment: This prediction of “physical stability” should not obscure the fact that the Government’s one military success against the rebels was achieved within the capital itself and that the available evidence points to a continuance of the weeks-old stalemate along the “front” between rebel and Government territory.**

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GENERAL

1. "Voice of America" causes official Soviet concern-- Commanding General US Forces Austria reports that a Soviet deserter, a Major recently returned from the Ukraine, describes Ukrainian officials as "visibly worried" over the influence of the "Voice of America." The deserter, a former Party member and political propagandist, also stated that the US broadcasts were effective among Soviet officers and that the people were "hungry for the truth."

Embassy Moscow reports that the "Voice of America" was recently "given free advertising" by a series of cartoons ridiculing the broadcasts which appeared in KROKODIL, the Soviet humor magazine. The Embassy points out that this publication has a circulation of "150,000 copies, a high figure for Soviet journals, and reaches just those levels of Soviet society where our program is likely to be most effective."

On the basis of recently published official figures, the Embassy estimates that presently there are 500,000 Soviet radios capable of receiving international broadcasts.

2. Soviets expected to continue cautious support of Arabs-- US Embassy Moscow considers that Soviet policy towards Palestine is based upon: (a) opposition to the formation of a Jewish state, which the USSR would regard as an anti-Soviet, Zionist tool of the West; and (b) support of an independent Palestine populated, as now, predominantly by Arabs. The Embassy believes, however, that the Kremlin will continue to avoid any overt championship of the Arab cause until the USSR is in a better position to expand its influence among the Moslems and can afford to alienate world Jewish opinion.

The Embassy feels that Gromyko's support of the proposal to permit Jewish representation before the United Nations fits into this pattern and represents a minor concession to Jewish interests "which could only cause confusion and probable embarrassment" to the UK and the US. In the Embassy's opinion, however, the Kremlin has been motivated primarily by a desire to establish a precedent for official recognition of such non-governmental organizations as the WFTU; a development which would contribute greatly to the use of the UN as a sounding board for Soviet propaganda.

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3. UK-Soviet trade negotiations--The UK Foreign Office has informed US Embassy London that no "definite or final" agreements were reached during recent UK-Soviet trade negotiations in Moscow, although "much was accomplished in clearing the atmosphere." The Foreign Office still expects difficulties in future talks; the discussions are to be continued in London and will be transferred back to Moscow this summer. (UK-Soviet trade negotiations took place intermittently during most of last year without substantial result.)

## EUROPE

4. YUGOSLAVIA: Rumor of attempted assassination of Tito--US Military Attache Belgrade reports a "recurrent rumor" of an unsuccessful plot by three Yugoslav Air Force pilots to assassinate Tito by dropping bombs on the reviewing stand during the May Day parade. The MA cites as confirming evidence that: (a) on 27 April 80 aircraft passed over Belgrade at low altitude in a dry-run for the 1 May parade; (b) no aerial review actually took place on 1 May; and (c) during the 9 May military parade only 60 planes passed in review.
5. CZECHOSLOVAKIA: Steinhardt's views on US credit policy--US Ambassador Steinhardt favors "in principle" a relaxation of US credit policy toward Czechoslovakia (the US in September suspended credit negotiations with Czechoslovakia in view of the general pro-Soviet trend of the country's Communist-dominated Government; see Daily Summary of 18 September, item 1), but "doubts the wisdom" of offering credits to Czechoslovakia until further progress has been made in the settlement of pending financial negotiations, including US claims for nationalized properties. Steinhardt believes that prompt and favorable settlement of these negotiations would be more likely if the US were to inform the Czechoslovak Government that the US intends to review its credit policy after these negotiations are satisfactorily concluded.
6. GREECE: Government reacts unfavorably to amnesty suggestion--US Ambassador MacVeagh reports that the Greek Government has reacted unfavorably to the US suggestion that it declare an amnesty with provisions for international supervision, and has detailed its objections in an

- 2 -

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aide-memoire. MacVeagh feels that the only objection which has any real validity is the Greek claim that the US suggestion contains no assurances "against the continuation of the fostering of the guerrilla movement from abroad." MacVeagh also reports that Foreign Minister Tsaldaris has released to the public full information on the US proposal in such a way as, "intentionally or unintentionally," to stimulate Greek "hostile nationalist opinion." MacVeagh adds that Greek thinking is "confused and panicky owing to local political stresses and fears."

7. GERMANY: Morale lowest since summer 1945--US Political Adviser Murphy reports that German morale is lower than at any time since the immediate post-combat period. He states that the lack of agreement between the US and USSR has caused "universal worry" that economic conditions will deteriorate and lead to "another terrible winter." Murphy cites the following as factors exerting such pressure that "German determination to survive will undoubtedly be manifest in future political action": "growing hopelessness" arising from inadequate diet, acute commodity scarcity, crowded housing conditions, and uncertainty.
8. BELGIUM: Regent wishes Church to back Socialism--US Ambassador Kirk has learned from a "reliable Palace source" that the Regent, Prince Charles, believes that the best means of combatting Communism in western Europe is to unite Catholic and Socialist parties along the lines of the new Belgian Government. Source also reports that: (a) the Regent has interested the Papal Nuncio in the idea that the Vatican should accept Socialism as "one form of political expression of Christian principles"; and (b) the Nuncio has suggested that Premier Spaak go to Rome and discuss this with the Pope.
9. ITALY: Proposal to reduce Communist participation in Cabinet--US Embassy Rome reports that Epicarmo Corbino, former Liberal Minister of the Treasury, has been asked by President Di Nicola if he would be willing to head a coalition government which would include only one or two Communists. Corbino has indicated to the Embassy that he might accept token Communist representation temporarily, if there were no other way for him to become Prime Minister. The Embassy reports further that, according to a "very reliable source," the Vatican's Assistant Secretary of State has declared that "Corbino is the only man who knows how to fight and defeat the Communists."

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NEAR EAST-AFRICA

10. IRAN: Soviets reportedly preparing to counter US aid--US Ambassador Allen reports persistent rumors that the Soviet Embassy in Tehran is prepared to spend large sums of money, partly in bribes, in an effort: (a) to prevent Iranian purchase of military supplies from the US; (b) to bring about the dismissal of US military missions in Iran; and (c) if possible, to set up an Iranian military dictatorship with Soviet orientation. According to Allen, Soviet activity is allegedly centered on the Iranian Chief of Staff, Ali Razmara, "who has played the Russian game in the past" and is considered to be intensely anti-US. Allen adds that Razmara has a strong position with the Shah at the moment, and that both the British Ambassador and Military Attache are convinced that Razmara is dangerous.

US Military Attache Tehran reports that Minister of War Ahmed has submitted his resignation to the Shah, explaining that he will not remain in office if "Razmara continues to countermand his orders." (General Ahmed, who has long had difficulties with Razmara, favors US aid to Iran.)

11. SOUTH AFRICA: Communists reported inciting native riots--US Military Attache Pretoria reports that native riots occur daily in the outskirts of Johannesburg, and approximately 1,000 police are attempting to maintain order. According to the head of South African Counter-Intelligence, the riots are "clearly Communist-inspired."

FAR EAST

12. KOREA: Political Adviser's views on Molotov's letter--Commenting on Molotov's offer of 10 May, US Political Adviser Langdon warns -- with the concurrence of General Hodge -- that no concrete results can be expected from the Joint Commission "unless and until a simple, clear, definite, and specific agreement can be reached with the Russians to accord freedom of opinion to Koreans regardless of their vocal expression of non-agreement with certain principles of the Moscow Decision." In view of the narrow construction previously put by the USSR on General Hodge's offer of 24 December and in order to avoid further opportunity for misunderstanding, the US Political Adviser recommends that

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a specific agreement for the guidance of the Joint Commission be worked out between the US and USSR on the basis of Secretary Marshall's reply to Molotov's letter of 19 April.

General MacArthur discounts possibility of "invasion" --General MacArthur places little credence in General Hodge's fear of a possible invasion of South Korea by a North Korean native army (see Daily Summary of 2 May, item 3). MacArthur believes that the reported size and potentialities of the native North Korean army are greatly exaggerated. MacArthur also doubts that the reduction in Soviet forces in North Korea will be "as rapid or complete as that envisioned by General Hodge."

- 5 -

~~TOP SECRET~~

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18 MAY 1947

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379

## GENERAL

1. Soviet aims in ECE--The US Delegate to the Economic Commission Europe reports from Geneva that Soviet strategy in the ECE has been to frustrate effective economic collaboration and to slow down organization while pressing for the earliest termination of such existing organizations as the European Coal Organization and the European Central Inland Transportation Organization. The delegate observes that while US strategy to date has been to let Soviet intentions become plain and to avoid US initiative at this stage so as not to give the impression of anti-Soviet action, "more affirmative action by the US may be appropriate soon."
2. Arabs fear US Palestine policy is pro-Zionist--US Ambassador Wadsworth reports from Baghdad that government officials in Iraq, Syria, and Lebanon are convinced that US policy concerning Palestine is pro-Zionist. According to Wadsworth, Prime Minister Jabr of Iraq has stated that "his news from New York was not at all encouraging," and that he believes the peace and security of the Arab world, as well as future relations with the UK and US, largely depend on the US taking a positive lead in the UN to assure recognition of the justice of the Arab cause.

## EUROPE

3. USSR: Civil air expansion reminiscent of German rearmament--The Acting Military Attache Moscow considers the present rapid expansion of civil air operations in the USSR to be reminiscent of the post-Versailles civil air activity in Germany which satisfied German military needs.

(CIG Comment: A further military implication in current Soviet air transport operations may be found in the apparent Soviet disinclination to furnish satellite airlines with even small numbers of transport aircraft. As the USSR has several times as many DC-3 type aircraft as the entire active domestic US commercial air fleet, this policy could be explained by either large-scale airborne troop-training operations in the USSR, or Soviet determination to retain for any military eventuality the maximum air-lift capacity within the USSR.)

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

- 1 -

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4. AUSTRIA: Austrians question US support--General Keyes, Commander US Forces Austria, reports that increasing Communist pressure has caused Austrians to reconsider whether "they should maintain resistance to the Soviet Union or endeavor to get along with it by collaboration." Many Austrians, according to the Commanding General, remember that "previous efforts to maintain their independence ended in concentration camps." Keyes adds, however, that the Austrian Government has accepted General Clark's assurances of continued US support "at their face value," and Keyes requests "the earliest possible indication" as to whether credits and food will arrive in time and amount to permit a continuation of US policy in Austria.
5. RUMANIA: Berry suggests aircraft interception--US Representative Berry reports from Bucharest that General Schuyler (US Delegate ACC) is keeping the Bucharest airport under surveillance in view of the possible unauthorized departure of a Rumanian aircraft on 15 May on a commercial flight to Paris which would presumably require overflight of the US Zone Austria. Berry suggests that the State Department may wish to advise proper Army authorities to intercept the aircraft for identification and possible forced landing.

#### FAR EAST

6. N.E.I.: Dutch views on situation--A high Foreign Office official has told US Counselor Benton in The Hague that the Indonesians apparently are stalling for time in the hope that the Dutch eventually would either withdraw from the Indies or initiate military action which the Indonesians are convinced would be "most unpopular" with the US and the UK. The Dutch official observed that, if it is found impossible to implement the Linggadjati Agreement (which looks to the establishment of the "United States of Indonesia"), the Dutch may resort to "military action to bring the Indonesians into line," unless US and UK public opinion should strongly oppose such coercion. He further observed that an alternative to implementing the Linggadjati Agreement "might be for the Dutch to announce withdrawal from the Indies effective on a certain date and at the same time refer the whole matter to UN."

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7. FRENCH INDOCHINA: Adverse French military situation--US Consul Hanoi reports that French forces in northern Indochina lack the strength to garrison the country and will be unable to pacify the area except by a campaign of reconquest which would "last for years." Although frontal resistance is decreasing, the Consul has heard that French troops will be withdrawn from their advance positions before the rivers rise in June and July.
8. CHINA: Press shifts criticism from US to USSR--US Embassy Nanking notes that the Chinese press has reacted favorably to Secretary Marshall's report on the Moscow Conference, has eased up on its criticism of US foreign policy (see Daily Summary of 6 May, item 4), and has become increasingly critical of "Soviet obduracy." However, the Embassy notes that Chinese papers representing widely divergent political views continue to voice concern over prospects of a resurgent Japan supported by the US.
- Kwangtung Province vulnerable to separatist activities--According to US Embassy Nanking, Chiang Kai-shek recently protested to the British Ambassador Nanking that a Chinese separatist leader, who is being given political asylum in Hong Kong, has been using the island as a base for sending agitators into neighboring Kwangtung Province. The Embassy adds that Chiang's protest can be attributed mainly to the fact that the Nationalists have drawn so heavily upon Kwangtung for troops that the Province is "almost entirely bereft of Government forces."

- 3 -

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380

GENERAL

1. Forced landing of Rumanian aircraft disapproved--The State Department has warned US Legation Vienna that under no circumstances should a Rumanian aircraft be forced to land even though a flight is made over US Zone Austria without US authorization (see Daily Summary of 13 May, item 5). The Department believes that an "incident" would probably do more harm than good in the long run. If an unauthorized overflight is made, the Department will protest vigorously to the Rumanian Government.
2. French view on economic merger of US-UK-French Zones--US Consul General Mayer in Baden-Baden has been approached by a "close associate" of Laffon (Military Governor of the French Zone) who discussed the possibility of an economic merger of the US-UK-French Zones Germany and suggested that the success of the arrangement would "depend more on persons carrying it out" than on the terms of the agreement. Mayer comments that this may be an attempt by French Headquarters to find grounds for agreement through a channel other than the French representative in Berlin, with whom the French Headquarters is "not always in accord."
3. Vatican denies considering rapprochement with Poland--A high Vatican official has told the assistant to the Personal Representative of the President at the Vatican that, despite persistent rumors to the contrary, the "Holy See is not negotiating with Poland for the re-establishment of diplomatic relations," or for "a concordat or agreement of any kind." The official added that the only purpose of Polish Cardinal Sapieha's proposed trip to Rome is to report on conditions in Poland.
4. Benelux protests US bill on bulb imports--Under Secretary of State Clayton reports from the Geneva meeting of the International Trade Organization that on 9 May Benelux (the Belgian-Netherlands-Luxemburg Customs Union) protested the provision in House Bill 2773 which limits the importation of nursery stock and bulbs to those needed for propagation purposes. The protest pointed out that the proposed US limitations are contrary to the spirit of the ITO charter. Clayton believes that these limitations would have an "unfortunate general effect" on the present conference.

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DDA Memo, 4 Apr 77  
Auth: DDA REG. 77/1763  
Date: 3/4/78 By: 009

- 1 -

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## EUROPE

5. **AUSTRIA: Emergency food relief requested**--General Keyes reports that "there is no time left in which to obtain new funds and allocations as part of the relief food which must be on hand here by 20 June. . . It is imperative," Keyes declares, "that consideration be given immediately to some quick means of providing relief"; he suggests as possible sources: the Red Cross, US Army stocks in Europe, or shipments now en route to other places.
6. **GERMANY: Continuance of USIS urged**--US Political Adviser Murphy reports that in view of an anticipated increase in Soviet propagandist activities in Germany it is "extremely important" that there be no lessening of the US informational and cultural affairs program in Germany.
7. **FRANCE: Caffery urges support of Ramadier**--US Ambassador Caffery believes that the present non-Communist Ramadier Cabinet represents the "best that could be hoped for" and should receive strong US support, particularly in the form of wheat and coal, during the next two months. According to Caffery, "the major disaster attending a collapse of the present Government" would be the division of France into two hostile camps (the Communists and Gaullists) which would "struggle to the finish." Caffery concludes that, if the Ramadier Government receives prompt and adequate US aid, a basis will be laid for the re-establishment of a "really strong democratic France."
- Bidault attacks De Gaulle**--Foreign Minister Bidault recently delivered a "most violent attack against General de Gaulle" during an informal conversation with US Ambassador Caffery. Bidault declared De Gaulle's "ardent desire" to destroy the MRP in general, and Bidault in particular, is exceeded only by his ambition to return to power.
- Communist comment on US influence**--US Embassy Paris has been told by CGT (General Confederation of Labor) Secretary Le Brun (appointed by the Communist wing of the General Confederation of Labor) that the "growing US influence in France" is such that the Communists believe President Truman seeks to extend "a new Monroe Doctrine to France and many European countries." Le Brun said "bitterly" that only the CGT had sincerely supported the Monnet Plan to promote reconstruction and that "much authority of the CGT over the rank-and-file had been lost by the strenuous effort" of the labor leaders.

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8. NORWAY: Army Intelligence headed by Communist--Headquarters European Command Frankfurt reports as confirmed that the G-2 Section of the Norwegian Army is headed by one of the "most powerful Communists in the Army."

## FAR EAST

9. CHINA: Rice crisis aggravated by Army purchases--US Embassy Nanking has learned from a "reliable source" that K. C. Wu, Mayor of Shanghai, is concerned about the serious rice shortage, which, together with sharp increases in food prices, has provoked widespread rice riots in Shanghai and many other Chinese cities. When the Shanghai shortage materialized, Wu reportedly attempted to obtain from the Central Government a promised reserve of about 133,000 tons of rice, but discovered that the reserve had been turned over to the Army for shipment to the combat areas farther north. (Unofficial observers also claim that heavy military purchases of rice have been responsible for shortages in south-eastern China.) Wu saw no clear indication of Chinese Communist inspiration in the riots at Shanghai itself, but detected Communist leadership in the demonstrations in a neighboring city.

USIS material needed in Sinkiang--US Embassy Nanking agrees with a report by the US Consul at Tiwha, Sinkiang Province, indicating that US Information Service educational material "would probably have considerable influence" if delivered to the northwestern part of the Province (which borders on the USSR). The Consul notes that native education in this area, which has been completely neglected by China, thus far has received little attention from the Soviet Union. He adds, however, that "if we do not seize this chance, Moscow will, within a matter of months."

10. FRENCH INDOCHINA: US views on settlement--The Department of State has expressed to US Embassy Paris growing concern over the slow progress toward settlement of the Indochina dispute and has advanced certain considerations for use in any conversations the Embassy may have with French authorities. The State Department's position is based: (a) on the realization that setbacks in long-term French interests eventually affect the US; and (b) on the belief that the best safeguard against

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civil discord, anti-Western tendencies, or Communist domination in Southeast Asia during this critical period in its development, lies in continued close association between newly-autonomous peoples and those Western powers which have hitherto been responsible for their welfare. The Department advances no solution and disavows any intent to intervene, but expresses the hope that France will be most generous in its attempts to find an early solution which, by recognizing legitimate Vietnam desires, will restore peace and deprive anti-democratic forces of a powerful weapon.

11. PHILIPPINES: Indicated purpose of Quirino mission to US--According to US Embassy Manila, a US Army officer has learned from a high Philippine official that one primary purpose of Philippine Vice President Quirino's mission to the US is to determine US reaction to amnesty for those now charged with collaboration with the Japanese. The official stated that, if Quirino finds the US attitude "interested or unconcerned," President Roxas might support Philippine congressional action for amnesty.

- 4 -

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GENERAL

1. UK comment on possible French treaty negotiations--US Embassy London reports that Warner, Under Secretary of the UK Foreign Office, has commented in respect to the possible negotiation of French-Czech and French-Polish treaties that each nation claims the other took the initiative. According to Warner, the UK (a) has attempted to discourage these pacts "on the ground that they are unrealistic" as they "would be of little if any help against a resurgent Germany"; and (b) has told the French in London that the German threat could best be met by the Byrnes draft-treaty and that "promiscuous bilateral negotiations" lessen the likelihood that the Byrnes draft would be adopted. The French, however, hold that friendly eastern European countries "should not be discouraged." Warner surmises that this attitude results from a deal which the French Government may have made with the French Communists at the time of the signing of the Anglo-French pact.
  
2. Tactic to replace Needham in UNESCO suggested--US Ambassador Caffery reports from Paris that Walter Laves, US Deputy Director General of UNESCO, believes that the likelihood of securing the permanent appointment of an American to replace Joseph Needham, British temporary head of the Natural Sciences Section, would be strengthened if Needham's candidates for certain scientific posts were supported by the US. The selection of these candidates would leave the US unrepresented by senior members in the Natural Sciences Section and would strengthen the US hand in requesting that Needham's successor be a US national. (Professor Needham is a member of the Cambridge University Communist group. His efforts to establish relations between Communist front organizations and UNESCO have made him objectionable to the US.)
  
3. US-Rumanian air relations--US Representative Berry in Bucharest has reported that discussions of a US-Rumanian air agreement were scheduled to begin on 15 May. Foreign Minister Tatarescu has told Berry that he would "dissipate" any resistance from sources that have "special interests." Berry believes that within two weeks the US will either obtain an agreement or learn that the USSR intends to prevent such an agreement now "at any cost."  
 Meanwhile, Berry and General Schuyler have decided (a) to deny authorization for the overflight of US Zone Austria by an aircraft of

- 1 -

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 DDA Memo, 4 Apr 77  
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 Date: 3/4/78 By: 009

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TARS (Soviet-controlled Rumanian air line) on a commercial flight scheduled for 15 May (see Daily Summary of 13 May, item 5); and (b) for the present to grant clearances only for single flights of TARS aircraft carrying Rumanian gold to Zurich as security for a US loan. Berry feels that it may later be possible to gain a bargaining advantage in the air agreement negotiations by offering the advance approval of several such flights. (Berry suspects that these flights may be covertly used for carrying pay passengers, freight, and possibly mail, and he recommends that future clearances require the aircraft to land within the US Zone for control.)

## EUROPE

4. HUNGARY: Airline proposal for westward expansion--US Minister Schoenfeld reports that the joint Hungarian-Soviet airline, MASZOVLET, has circularized foreign aviation interests, including the British and Swiss, offering its services and requesting cooperation in "exchanging facilities" for air traffic. Schoenfeld has learned that the British Minister proposes to ask the Soviet occupation authorities how they reconcile the approval of this circular with their previous refusal to permit British experts to make a technical survey of Hungarian airfields in preparation for eventual British air operations into Hungary.
- (CIG Comment: By "exchanging facilities" MASZOVLET may be proposing merely exchange points outside Hungary with certain foreign aviation interests, thus maintaining the exclusion of Western commercial air operations from the satellite states while furthering expansion of Soviet-controlled air operations to the West.)
5. GREECE: New guerrilla regiments reported--US Ambassador MacVeagh reports that, according to the recent deathbed statement of a captured bandit chief, three guerrilla regiments have been formed in northern Greece, near the junction of Greece, Yugoslavia, and Albania. The bandit chief also declared that the regiments are to be reinforced by 1,500 bandits from Yugoslavia with the aim of establishing a rebel government in northern Greece under Zachariades (leader of the Greek Communist Party). MacVeagh states that this information "complements": (a) a reported statement made in Belgrade by a former member of the Yugo-

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slav liaison team with the Security Council's Investigating Commission that "Russia now intends to give positive assistance to the efforts of Greece's neighbors to aid the Greek guerrillas"; and (b) rumors of guerrilla troop concentrations in Bulgaria and Yugoslavia. MacVeagh believes that it would be most desirable for the US to support the Greek Government's request for an on-the-spot investigation by the Investigating Commission's Salonika subcommittee.

6. **RUMANIA:** Soviet officers taking US grain to the USSR--According to US Representative Berry, the French Minister to Rumania has "definite information" that all Soviet officers leaving for the USSR are ordered to buy 44 pounds of flour to take with them to Odessa where the flour is handed over to the Soviet authorities. On 13 May the Rumanian Foreign Office officially denied that US grain had been diverted to the USSR; however, it did not deny that, under the terms of the armistice, domestic stores of food had been allocated for the maintenance of the Soviet Army. (Soviet troops in Poland are reported to be buying food on the open market using "freshly printed" zlotys.)
7. **BULGARIA:** Failure of two-year economic plan predicted--Acting US Representative Horner reports that, according to a "well-informed and independent thinking economist," the Bulgarian two-year economic plan has no chance of being realized. Source believes that the planners are guilty of "woolly thinking" in planning "on a Soviet scale" without regard for the fact that Bulgaria is a small, primarily-agricultural country with insufficient trained technicians and inadequate industrial equipment.

#### NEAR EAST-AFRICA

8. **TRANSJORDAN:** White Book on Greater Syria--US Ambassador Tuck reports from Cairo that the recently published Transjordan White Book on the "Natural Unity of Syria" contains "documents from British as well as Arabic sources." Tuck adds that the White Book, which has confidentially been made available to a member of the US Embassy, is King Abdullah's definitive documentation of the Greater Syria case.

(CIG Comment: If the British documents in the White Book implicate the UK too closely in Abdullah's plans, the UK Foreign Office may

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be compelled to issue a statement, repeatedly urged by the US, defining its attitude toward Greater Syria. In the past the UK has been content to allow Abdullah's schemes to disturb Arab unity, but it is unlikely that the UK wishes these schemes to be implemented at this time.)

#### FAR EAST

9. CHINA: Government again attacks Soviet stand on Dairen--According to US Embassy Nanking, the Chinese Foreign Minister has again informed the Soviet Ambassador that the Chinese Government regards the war as actually terminated, as Japan is now under Allied occupation, and believes that the USSR therefore has no grounds for limiting China's right to send police and troops to the Dairen-Port Arthur area. The Foreign Minister also pointed out that the presence of "hostile non-Government forces" in this area requires that the Chinese Government reinforce its local administration with Nationalist forces, and he requested the Soviet Government to reconsider its attitude.

#### THE AMERICAS

10. VENEZUELA: UK views on stability of regime--The UK Foreign Office, on the basis of data forwarded by the British Embassy in Caracas, has expressed the views to US Embassy London that (a) the Betancourt Junta is now "firmly entrenched" and would maintain control even in the event of an Army-supported revolt; (b) the members of the Junta are "opposed to Communism"; and (c) the political tendency of the Junta is "towards liberalism and some socialism."  
(CIG Comment: The above conclusions are considered valid.)
11. CHILE: ITO delegation proposes charter amendment--The US delegation to the ITO Conference in Geneva reports that (a) Chile has proposed an amendment to the draft trade charter which apparently is designed to extend "full and permanent recognition" to such restrictive agreements between adjoining countries as the recent Argentine-Chilean accord; (b) several delegations, including the US, will oppose the amendment; and (c) if the amendment is disapproved, Chile must either withdraw from the conference or scuttle its agreement with Argentina.

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382

GENERAL

1. USSR reportedly orders immediate repair of Czech-German border--  
According to US Military Attache Prague, a usually reliable Government official has told a "reliable Embassy source" that the USSR reportedly has requested the Czech Government to repair at once the Czech defenses on the German border. Source also stated that this order is causing consternation as it would require millions of Czech crowns to carry it out. The MA evaluates the information as possibly true.
2. US-Rumanian air negotiations--US Representative Berry in Bucharest reports that in the first conference on the proposed US-Rumanian air agreement (see Weekly Summary of 16 May, page 7) the Rumanians pointed out that "thus far" they could not grant either traffic stops in Rumania on through routes or terminal rights except at Bucharest. The Rumanians emphasized repeatedly the hope of US assistance with respect to their admitted inadequate equipment, lack of ground facilities, and need for technical advice.

EUROPE

3. YUGOSLAVIA: Retaliation urged for attacks on US Embassy--US Charge Cabot reports increasing evidence that the Yugoslavs intend to vent on the US Embassy their bitterness over US policies, and that the Embassy's position is becoming increasingly untenable. Cabot fears that the Embassy could be put out of business altogether and he is "gravely concerned" about security arrangements as a result of infiltration by Yugoslav spies. Cabot points out that "apparently the only way left open to secure normal privileges and immunities is coercion." He therefore recommends that the US warn the Yugoslav Government that, if the situation is not promptly remedied, the US will block all private remittances to Yugoslav citizens except under special licenses.
4. HUNGARY: Nagy's views on current situation--In a recent conversation with US Minister Schoenfeld, Prime Minister Nagy declared that: (a) the overwhelming majority of Hungarians were especially grateful to the US for its appreciation of Smallholder efforts to establish a genuine

- 1 -

Document No. 040  
 NO CHANGE in Class.   
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 Auth: DDA Memo, 4 Apr 77  
 DDA REG. 77/1763  
 Date: 3/4/78 By: 009

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democracy in Hungary; (b) after the peace treaty it would be necessary to make certain changes in constitutional practices, which he hoped could be "effected peacefully without evoking civil strife"; (c) although a crisis might develop around two current issues--Hungarian foreign policy and the nationalization of three large banks--the Communist offensive on these issues would be repelled, possibly amid considerable tension; and (d) despite Soviet displeasure, Hungary does not intend to sever its economic ties with the US.

#### NEAR EAST-AFRICA

5. IRAN: Soviet activity reportedly renewed in Azerbaijan--US Embassy Tehran has been informed by several sources of the renewal of intensive Soviet activity in Azerbaijan. The sources also report renewed activity among elements formerly associated with the pro-Soviet Democrat Party, lending weight to the possibility that reorganization of the Party as an underground force may be underway. While the Embassy does not place "full credence" in these reports, it believes that: (a) the Soviets have not given up hope of regaining control of Azerbaijan; and (b) if peaceful political penetration is prevented by Parliament's rejection of the Soviet oil concession, the Soviets may resume much more active interference in Azerbaijan and may try to create "guerrilla warfare situations" similar to those in Greece.

- 2 -

~~TOP SECRET~~~~CONFIDENTIAL~~

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383

GENERAL

- 1. British believe USSR seeks "economic isolation" --US Embassy London reports that, on the basis of the recent UK-Soviet trade negotiations in Moscow, the British (a) believe that the USSR is seeking "economic isolation," exporting only in order to acquire essentials not available internally except by wasting manpower; and (b) were "most surprised" at the Soviet offer to sell them wheat and coarse grains (when the current "promising" crop is harvested).

EUROPE

- 2. BULGARIA: Northern crops reported 80% destroyed--The US Representative in Sofia reports that apparently up to 80% of the vegetable, fruit, and wheat crops of northern Bulgaria have been destroyed by frost and drought. Without substantial summer rains, near famine conditions may exist in Bulgaria this summer. In view of the possibility that US aid will be sought, US Embassy Belgrade is sending its Agricultural Attache to Bulgaria to investigate.
- 3. HUNGARY: New Communist attempt to provoke crisis--US Minister Schoenfeld reports that the Communists, as a result of their failure to create a new political crisis out of the inter-party negotiations concerning a proposed three year economic plan, have now demanded the nationalization of Hungary's four leading banks. Schoenfeld suggests that the Communist proposal (a) would place almost all industry under national control, (b) would affect the entire Hungarian economic and financial structure, (c) might jeopardize US credits and long-term loans, and (d) departs from the previous inter-party agreement expressly limiting nationalization to underground resources and electric power.
- 4. CZECHOSLOVAKIA: Masaryk explains position on SC--Masaryk, Minister of Foreign Affairs, told US Ambassador Steinhardt that, when he was the Czech delegate to the UN in the fall of 1946, he deliberately disobeyed Prime Minister Gottwald's (Communist) instructions to make every effort to obtain membership for Czechoslovakia on the Security Council. Masaryk added that on his return he so informed Gottwald, giving as his reason that it was not to Czechoslovakia's long-term advantage to have such membership in the SC now, as it would deepen the prevailing opinion that Czechoslovakia is acting as a "stooge" for the USSR at international conferences.

- 1 -

Document No. 041  
 NO CHANGE in Class.   
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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763

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5. **RUMANIA:** Commercial flight to Zurich-Paris cancelled--The US Representative in Bucharest reports that the TARS (Rumanian Civil Air Fleet) flight to Zurich and Paris, scheduled for 15 May, was cancelled. Some of the passenger fares have been refunded, and TARS has informed inquirers that the Zurich service has been suspended.
6. **BULGARIA:** US urged to protest newspapers' suppression--The US Representative in Sofia has urged that the US formally protest to the Bulgarian Government the suppression for the past two weeks of two Opposition newspapers. The US Representative believes that failure to make such a protest will discourage the Rumanian public and may lead the Bulgarian Government to believe that Article II of the Peace Treaty, which guarantees civil liberties including freedom of the press, can be ignored with impunity in the future.
7. **GERMANY:** Pakenham sees US-UK zonal cooperation--US Ambassador Douglas reports from London that Lord Pakenham, recently appointed Chief of the Control Office for Germany, appears to be "determined to seek a workable solution" for the economic problems of the US-UK Zones. Douglas adds that Pakenham is "convinced of the cooperative attitude of the US officials in Germany" and that Pakenham's views "should be effective in important political and non-political circles where he has much personal influence."

## FAR EAST

8. **CHINA:** Sinkiang native leader reported new provincial Governor--The US Assistant Naval Attache, Shanghai, has learned from the Chinese Foreign Ministry that Messud Sabri, native Turki leader in Sinkiang Province, has been appointed to replace General Chang Chih-chung as provincial Governor, in order to placate the large Turki minority which resents the Central Government's failure to undertake reconstruction projects promised by Chang a year ago. However, a high Kuomintang official has reportedly stated that the change is being made because the USSR insisted on the removal of Chang as a prerequisite to Soviet evacuation of Dairen. (The Assistant NA adds that Sabri is alleged to be "not pro-Russian" because the Soviets kidnapped Sabri's favorite son.)

- 2 -

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(CIG Comment: Removal of Chang, who is reputed to be an able administrator with a thorough understanding of Sinkiang's problems, will probably loosen further the Government's already precarious hold on that Province. Sabri is not believed to be sympathetic with Government interests in Sinkiang, and he might conceivably be forced into the role of Soviet puppet if his son is in fact being held as hostage by the USSR.)

- 3 -

~~TOP SECRET~~

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19 MAY 1947  
384~~CONFIDENTIAL~~  
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## GENERAL

1. USSR expresses interest in US-Rumanian air negotiations--US Representative Berry in Bucharest reports that the Soviet Chairman of the Allied Control Council has approached the US Military Mission for full information concerning current US-Rumanian discussions for an interim air agreement (see Daily Summary of 16 May, Item 2). Berry also reports that, according to a "fairly reliable inside source," the Soviet Embassy has notified the Rumanian Ministry of Communications of the USSR's desire to "post-pone or drag out" the negotiations.
2. British report on Yugoslav DP's in Italy--According to US Embassy Belgrade, the preliminary report of the MacLean Commission (which screened the British DP camps in Italy) points out that virtually all Yugoslavs in these camps: (a) are former Quislings or collaborationists; (b) have nevertheless been permitted after their arrival in Italy to organize military formations directed against the Yugoslav Government; and (c) have undertaken activities inimical to the Yugoslav Government even within territory under the latter's jurisdiction. According to the Embassy, the report makes it clear that the "British military have at the very least winked at what has been going on in these camps." The Embassy adds that it has reason to believe that conditions are "at least as bad" in the British camps in Austria and Germany.

## EUROPE

3. FRANCE: Juin to effect Moroccan reforms--US Ambassador Caffery has been told by "a friendly Foreign Office official" that General Juin, who plans to leave about 24 May to assume his new post as Resident General of Morocco, will tell the Sultan of Morocco that: (a) the French realize that the old concept of colonial empire is no longer valid; (b) the Moroccans must have a progressively greater voice in their own destiny; (c) the reforms proposed by the French are designed to prepare the Moroccans for gradual assumption of governmental responsibility; and (d) in view of these considerations, the Sultan is "expected to approve the proposed reforms at once."

In Caffery's opinion, there is no doubt that the French "intend to be firm with the Sultan" and will insist on putting these reforms into effect.

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

- 1 -

~~TOP SECRET~~~~CONFIDENTIAL~~

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The French believe, according to Caffery, that while the Sultan objects to many of the reforms on the grounds that they do not go far enough, he actually opposes them because they would destroy his argument to the Moroccans: that no real reforms can be expected from the French and that, therefore, immediate independence is the only practical solution.

Ramadier views De Gaulle as present check to Communists--

Premier Ramadier has told US Ambassador Caffery that he is "not apprehensive of any serious trouble from the Communists at this juncture" because the Communists fear that, if they attempt a general strike now, De Gaulle would profit. Ramadier added that, although he regards De Gaulle's Rally of the French People as a failure, De Gaulle might conduct a more successful campaign for power in the future.

4. POLAND: Food supplies adequate until next harvest--US Embassy Warsaw reports that, on the basis of available information, Poland's supplies of grain and other food products are adequate until the next harvest. The Embassy adds that official Polish estimates of the food import needs have been conflicting and too high, possibly in an attempt to obtain assistance from the US. The Embassy recommends that, if post-UNRRA relief is still being contemplated, such relief be distributed gratis primarily by competent relief agencies under US official direction and to inmates of institutions (for the aged and orphans) which are no longer included in the official Polish ration system.

NEAR EAST-AFRICA

5. INDIA: Viceroy's proposals for transferring power--US Embassy New Delhi reports that it seems more likely than ever that there will be at least two "theoretically sovereign governments" in India following the announcement on 2 June of the Viceroy's proposals for transferring power from the UK to India. The proposed plan reportedly provides that: (a) provinces which have elected a majority of Moslem League delegates to the Constituent Assembly (CA) would decide by vote of their representatives in the central legislative assembly whether to join the present CA; (b) for purposes of voting, the Punjab and Bengal would be partitioned tentatively; (c) a referendum would be held in the North West Frontier Province to ascertain whether new elections are necessary; and (d) provinces, or portions thereof, deciding to stay out of the present CA would

- 2 -

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set up their own CA, and the UK would be prepared to transfer power to the two resulting provisional governments. The Embassy adds that, although Nehru agreed to the substance of the original draft of the plan, he objected to its form; the Viceroy is now endeavoring to obtain acceptance by Nehru, Jinnah, and other leaders of a revised draft which appears to be "essentially" the same as the original.

6. EGYPT: Nokrashy warned of xenophobia danger--US Ambassador Tuck has informed Prime Minister Nokrashy Pasha of his serious concern over expressions of anti-foreign feeling which are "apparently permitted freely to appear." Tuck added that during his many years in Egypt he "had never encountered such feelings of resentment as appeared to exist today." Tuck warned the Premier further that, if such anti-foreign sentiments were not controlled, regrettable incidents for which Nokrashy would have to bear the full responsibility might occur at any time.

#### FAR EAST

7. NEI: Dutch-Indonesian economic talks stalemated--US Consul General Foote reports that Dutch-Indonesian economic negotiations appear near breakdown following rejection by the Republic Cabinet of the proposals of the Joint Dutch-Indonesian Economic Committee. According to Foote, the Republic has indicated that it is unwilling to cooperate in the regulation of trade and financial matters, the return of foreign properties, and the formation of a joint board for food distribution; the Republic considers these questions are its own concern.

Consul General Foote believes the Republic is stalling for time in the hope that the Dutch will be refused a US loan and then will become "helpless financially." Foote warns that foreign industrial interests in the Netherlands Indies will be jeopardized, if the Indonesians fail to return foreign properties and the Dutch fail to enforce the Linggadjati Agreement.

US views on Exim Bank loan--The State Department has requested US Embassy The Hague to inform the Netherlands Foreign Office that the US desires that the Indonesian Republic and other constituent parts of the United States of Indonesia participate in Dutch-US negotiations concerning an Exim Bank credit for the rehabilitation of the NEI. In this connection,

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the nature of any Netherlands-Republic economic agreements will be an important factor. The State Department believes that re-establishment of commerce throughout the Netherlands Indies is the first step toward stabilizing the political and economic conditions in the area and toward strengthening the moderate elements in the Republic.

8. **FRENCH INDOCHINA: French position**--US Consul Hanoi reports that High Commissioner Bollaert in a speech on 15 May recognized the nationalist movement of Vietnam but announced that France intends to stay in Indochina. Bollaert stated that France would negotiate with all parties in Northern Indochina because no one group was recognized as the sole representative of the Vietnam people; he offered aid from Cochin China to avoid a famine if Vietnam "cooperation" were forthcoming.
9. **KOREA: Extreme Right attempts to sabotage work of Joint Commission**--General Hodge reports that Rhee Syngman is apparently "completely off the reservation again and will use every effort to sabotage the work of the Joint Commission." As Rhee still controls the extreme Right, General Hodge believes that revolt may spread until no strong Rightist groups will be found to cooperate with the Joint Commission. General Hodge therefore recommends that Assistant Secretary of State Hilldring inform Rhee directly that US policy calls for the establishment of a provisional government for all Korea in accordance with the Moscow Decision.

**Representative Democratic Council demands withdrawal of US forces**--The US Political Adviser reports that the Representative Democratic Council is sending a long message to the Secretary of State, "closing with a demand for immediate withdrawal of occupation forces to make way for the interim government which is in the process of being created by the Koreans themselves." (The Representative Democratic Council has lost its quasi-official character and has become the tool of the extreme Right.) The Adviser recommends that the Council's message be ignored, because the vast majority of the Korean press and people seem to be jubilant over the news of the reconvening of the Joint Commission and the prospect of a national provisional government.

10. **CHINA: CC Clique seeks to embarrass present Government**--US Consul General Davis in Shanghai reports persistent rumors that the "CC Clique," extreme right-wing faction within the Kuomintang Party, has been giving

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encouragement to China's recent rice riots, demonstrations, and other disorders in an attempt to embarrass the Central Government's present administration (which is headed by Chang Chun, leader of the KMT's relatively liberal Political Science Group). Davis adds that the CC Clique appears to be "behind at least some of the troubles."

#### THE AMERICAS

11. PARAGUAY: Government troops advance--The US Military Attache Asuncion reports that if two Government columns now advancing reach their objectives, they will "isolate" the bulk of the rebel forces. He adds that there is dissension within the ranks of the Colorado party (sole political party supporting the Government) which "presents possibilities of a wedge between sectors" of the party.

- 5 -

~~TOP SECRET~~  
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~~TOP SECRET~~

385

GENERAL

1. USSR curious about US anti-Communist activities in Latin America--US Embassy Lima has been reliably informed that Moscow through Bogota has instructed Communist Party headquarters in Lima to find out who in each US Embassy in Latin America directs anti-Communist activities.

EUROPE

2. USSR: Indications of military shipments to the Balkans--Assistant US Naval Attache Odessa reports that, except for occasional passenger vessels, tankers, and UNRRA shipments, the port has been virtually deserted during the past month. The Assistant NA believes that this fact lends credence to a report he had previously received that the greater portion of Black Sea shipping is now engaged in moving military supplies to the Balkans and is avoiding Odessa to escape observation by the US.

US consulate at Leningrad approved--The Department of State has been informed by the Soviet Embassy in Washington that the Soviet Government has agreed to a US request to open a consulate at Leningrad. (The Department of State had previously indicated that it was prepared to close a Soviet consulate in the US, if the USSR persisted in refusing to permit additional US consulates in the Soviet Union; see Daily Summary of 4 December 1946, item 4.)

3. RUMANIA: Drives to integrate Rumanian and Soviet economies--US Representative Berry has been reliably informed that the parallel drives of the local Communists and the Soviet Government to integrate the Rumanian economy wholly with that of the USSR have been accelerated in an effort to complete the integration before the Rumanian peace treaty goes into effect. According to Berry, both the local Communists and the USSR seek the eventual exclusion of all outside interests and the ultimate destruction of private initiative.

Berry advises against Chase Bank loans--US Representative Berry feels that Chase National Bank loans to the nationalized Bank of Rumania will have "unfortunate repercussions," as the Rumanian people will believe that such loans are made with the express approval of the US Government.

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 DDA Memo, 4 Apr 77  
 Auth: DEA REG. 77/1763  
 Date: 3/4/78 By: 009

- 1 -

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4. ITALY: Communist coup d'etat reported planned and cancelled--US Forces Mediterranean Theater have learned from a "highly placed source in the Italian Naval Intelligence" that at a special meeting of the Communist High Command plans were made for a coup d'etat if the Communists were excluded from the Government, but that these plans were subsequently cancelled and orders issued for Party members to remain calm during the period of governmental crisis. The source states further that the Party has been assured "ample funds from Moscow" for use in the coming elections. G-2 Mediterranean Theater adds the comment (in which CIG concurs) that a Communist attempt at a coup d'etat at this time would be abortive and Party suicide.
  
5. FRANCE: "Strong" policy in Morocco likely to cause trouble--US Consul General Alling reports from Tangier that if the French take a strong line in Morocco (as they appear ready to do in carrying out their proposed reforms) it seems likely that such action will tend to strengthen the nationalist movement and even lead to outbreaks from which Morocco has been remarkably free up to now. Alling adds that, according to the US Consul in Rabat, the French "appear ready, able, and almost anxious to put down any disturbance so as to raise their prestige."

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21 MAY 1947

~~CONFIDENTIAL~~

38

~~TOP SECRET~~

386

## EUROPE

1. BULGARIA: Reported aid to Greek partisans--US Military Representative Sofia has learned from a "usually reliable" source that approximately four trains, containing 30 to 40 cars each loaded with ammunition and light artillery, passed through Sofia between 12 and 14 May en route to southern Yugoslavia, where the supplies are reportedly being turned over to Greek partisans. 21

From a similar source, the Military Representative has learned that certain quarters in Sofia recently vacated by the USSR have been occupied by Greek partisan officials, who are presumably working with the Bulgarian authorities.

2. YUGOSLAVIA: Possible diplomatic break with Greece--US Military Attache Belgrade believes that the Yugoslav request for the recall of the Greek Military Attache in Belgrade and the recent violent attacks on Greece in the Yugoslav press may be a "build up" for breaking off relations with the present Greek Government and possibly for recognizing a new "democratic" regime in northern Greece. The UK Ambassador Belgrade has expressed to the US Embassy his fear that "any firm step" by the Greek Government may be used by the Yugoslavs as an excuse for a break in relations.

3. RUMANIA: Air rights in Italy desired--US Representative Berry has received from an "inside source" the text of a request from the Rumanian Civil Aviation Bureau asking for Rumanian Foreign Office assistance in obtaining new air routes into France, Switzerland, and Italy. Berry understands that as yet no approach has been made to Italy, but he suggests the desirability of taking steps to block a possible grant by Italy of air rights to Rumania until the current US-Rumanian air discussions produce satisfactory results.

(CIG Comment: The Rumanians may anticipate that a circuitous route through Italy into Switzerland and France will be necessary, if the US continues to bar overflight of the US Zone Austria.)

4. UK: Financial position deteriorating more rapidly than expected--High UK Treasury officers have told US Embassy London that the British financial position has deteriorated beyond the official estimates made last month. The officers stated that: (a) the February fuel crisis will have an adverse effect on the export drive for nine months; (b) it is now anti-

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

- 1 -

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culated that the 1947 export goal, 140% of the 1938 volume, will not be reached until the second quarter of 1948; and (c) it will be necessary to feed the people better (that is, increase imports over the 1946 level of consumption) in order to reach the required level of productivity.

(CIG Comment: The Labor Government may also have a political motive for improving the diet. Early abandonment of the Government's recently set 1947 export goal and financial estimates will put it in a nearly indefensible position for a government committed to "planning" and will provoke widespread, vigorous, and telling criticism.)

5. GERMANY: French hesitate on zonal merger--US Consul General Mayer reports from Baden that it has become apparent that France will not agree to merge its Zone with the US-UK Zone at the present time, as it fears that such an action might cause the USSR to set up a satellite "republic" in the eastern Zone. Mayer adds that, while "responsible French authorities" favor an economic union of the western Zones, they fear that such a "republic" might remain permanently under Soviet domination.

(CIG Comment: The creation of a separate Soviet satellite republic in eastern Germany would prejudice Soviet claims for production from western German economy. This loss, coupled with the fact that the USSR already has political control of its Zone, makes such a drastic political step by the USSR improbable.)

6. FRANCE: Degree of economic control becomes major issue--US Ambassador Caffery reports that the question of a controlled versus a more liberal economy is one of the major factors that might precipitate the collapse of the Ramadier Government. The Leftist Rally (RGR), which is largely Radical Socialist, supports the liberal policy; the Socialist Party favors stronger controls. The Communists, "who wish to return to power at all costs," according to Caffery, "know that if the RGR withdraws" from the Cabinet, there is little possibility of a new Government being formed without Communist participation. They are, therefore, trying to drive the RGR into an extreme position against controls in order to force the RGR to resign from the Cabinet.

#### NEAR EAST-AFRICA

7. TURKEY: Secretary General Erkin to leave Foreign Office--US Ambassador Wilson reports that Secretary General Erkin of the Turkish Foreign

- 2 -

~~TOP SECRET~~~~CONFIDENTIAL~~

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Office will shortly be appointed Ambassador to Italy, an appointment which Erkin requested primarily because of personal differences with Foreign Minister Saka. Wilson adds that the Turkish Cabinet feels some concern that Erkin's departure may weaken the Foreign Office "at a critical period." Wilson also considers it possible that Erkin may be named Ambassador to Washington after a few months in Rome.

8. INDIA: Possibility of Congress-League agreement--US Charge Merrell has been informed by a highly confidential source that Jinnah has virtually agreed to the Viceroy's proposals for the transfer of power (see Daily Summary of 19 May, item 5). Although Merrell feels that Congress and League leaders now appear closer to complete agreement than at any time since last June, he adds that the complexity of the factors involved is such that any untoward incident prior to public announcement of the proposals could easily upset the prevailing delicate balance.

#### FAR EAST

9. NEI: Dutch-Indonesian relations deteriorate--According to US Embassy London, the British Foreign Office has been informed by its representatives in Batavia that (a) the Dutch have told representatives of the Indonesian Republic that they are prepared to resort to force, if satisfactory agreement is not reached in current Dutch-Indonesian negotiations; (b) Republic Premier Sjahrir replied that the Republic would not be intimidated by such threats; and (c), in view of the serious situation, Lt. Governor General Van Nook has postponed his trip to the US in connection with a rehabilitation loan for the NEI.

Embassy London also reports that the UK Foreign Office intends to consult with the State Department in the near future concerning possible joint measures to be undertaken to prevent open hostilities between the Dutch and the Indonesians.

10. FIC: Attitude of President Ho to negotiations with French--US Consul Hanoi reports that, according to "a usually reliable source," a representative of the French High Commissioner's staff has met with President Ho Chi Minh of the Vietnam Republic. According to source, Ho appeared to have lost all confidence in French authorities and intentions, was willing to continue the war, and did not wish to negotiate with the French except as recognized head of the Vietnam Government.

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11. **CHINA: Development of student demonstrations**--US Embassy Nanking, in a comment on the student demonstrations that have been accompanying rice riots and other civil disorders in leading Chinese cities, reports that such demonstrations have reached a point where "practically every academic center in the country is on strike." Originally characterized by demands for greater appropriations and improvement of university curricula, the student demonstrations have recently developed more basic demands, such as immediate termination of China's civil conflict. It is now apparent, the Embassy adds, that: (a) leadership in the disturbances is passing from the Kuomintang's CC Clique (see Daily Summary of 19 May, item 10) to the left-wing Democratic League and the Chinese Communists; (b) present student disorders, which are taking place in violation of the Central Government's 18 May ban on public mass demonstrations, present an important challenge to Government authority; and (c) if the disorders are not halted soon, they may contribute to "further deterioration of the already parlous political-economic situation."

#### THE AMERICAS

12. **ARGENTINA: Jet planes purchased from UK**--A reliable source has told US Military Attache Buenos Aires that: (a) six British Gloster "Meteor" jet aircraft have been sold to Argentina as an inducement for larger future orders; (b) Argentina has entered into a "conditional contract" for future deliveries (possibly six); and (c) Miguel Miranda, head of the Argentine Central Bank and the Foreign Trade Institute, has disapproved the larger future orders.

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GENERAL

1. US seeks diversion of UK-bound wheat to Germany--The State Department has suggested that Ambassador Douglas make a personal appeal to the UK Government for the prompt diversion to Germany of five cargoes of wheat now en route to the UK. The US Government, through the Bizonal Supplies Committee, and the UK Embassy Washington have already made such a request. The State Department comments that the situation in Germany undoubtedly will become more critical and a possible distribution breakdown may be unavoidable, unless this wheat is diverted. 22
2. Poland agrees to French flights to Warsaw--US Embassy Warsaw has learned from the French Charge that Poland has now provisionally agreed to "reciprocal" weekly flights by Air France from Paris to Warsaw via Prague (see Daily Summary of 8 May, item 2).
3. Yugoslavs reportedly fleeing to Hungary--US Legation Budapest has been reliably informed that 10,000 - 14,000 fugitives from Yugoslavia have entered Hungary during the past few weeks and that Yugoslavia has requested the Hungarian Government to return them. Source observed that the Hungarian police will have difficulty in rounding up the fugitives as the latter are being sheltered by the Hungarian population.

EUROPE

4. PORTUGAL: Plans for revolution seized in raids--US Military Attache Lisbon reports that on 15 May the secret police raided two houses in Lisbon and seized "important documents" which reveal plans for revolution and the formation of a new organization called the Movement of National Liberation. The MA adds that many of the persons involved are in "high political and military positions" and the police are "wary" of arresting those detained in the raids or implicated by the seized records.
5. GREECE: Ruthlessness urged against "irreconcilable" guerrillas--US Embassy Athens reports that the Governor General of Northern Greece, in a private communication to Premier Maximos regarding the amnesty proposal, has divided the Greek bandits into three categories: (a) 25% dynamic Communists absolutely subservient to Moscow; (b) 25% less intransigent Communists; and (c) 50% non-Communists, who have been

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

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lured into bands or recruited by force. The Governor General has urged Maximos to continue a ruthless military policy until the irreconcilables of the first category are annihilated or compelled to flee the country, and immediately thereafter to implement the "broadest measures of leniency."

(CIG Comment: The Governor General does not make clear how the Greek Army in its actions against the guerrillas is to distinguish between "reconcilables" and "irreconcilables.")

### FAR EAST

6. KOREA: US statement on trusteeship suggested--US Political Adviser Langdon reports that, in recent discussions with General Hodge, South Korean rightist leaders have taken an attitude strongly reminiscent of their "trusteeship revolt" of December 1945. They are requesting US authorities to omit the word "trusteeship" from all future discussions of the Moscow Decision, and to present an "agreed definition of democracy" to the Korean people. Langdon adds that General Hodge sees little hope of persuading rightist groups to cooperate with the Joint Commission, and Hodge feels that these groups may try to force the US to establish a separate government for South Korea.

On the chance that a face-saving gesture might induce the rightists to cooperate with the Joint Commission, Langdon suggests that the State Department issue or allow Hodge to issue a statement of US views on trusteeship designed to allay Korean fears of "tutelage."

7. NEI: Possible Dutch use of force--According to US Embassy London, the Dutch Foreign Office has informed the UK Foreign Office that the Dutch have three alternative courses of action in the Indies: (a) use of force; (b) withdrawal from Indonesia; or (c) recourse to mediation by the US -- which the Dutch feel would be "ham-fisted" and unproductive of satisfactory results. The Dutch Foreign Office emphasized that it was not Dutch policy to use force to achieve a solution, but the UK considers that Dutch military elements might take the initiative and make impossible any rectification of the situation by moderate elements.

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**THE AMERICAS**

8. **CENTRAL AMERICA: Secret anti-Communist pact signed--US Military Attache San Salvador reports that the Presidents of El Salvador, Honduras, Nicaragua, and Costa Rica recently signed a secret agreement to suppress Communist activity in Central America.**
  
9. **PARAGUAY: President concerned with post-victory problems--US Ambassador Beaulac Asuncion reports that President Morinigo, believing that victory over the rebels is imminent, is concerned with the probable post-victory demands of the Government Army and fears that a "man on horseback" might emerge. Beaulac considers that there is enough opposition among the Colorados (sole political party supporting Morinigo) to make such a move possible.**

- 3 -

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GENERAL

1. UK denies sale of "secrets" to USSR--The UK Foreign Office has denied press reports that the UK is exchanging scientific "secrets" for USSR grain and timber and has told US Embassy London that: (a) there is no impending UK-USSR "deal of a surprise nature," but (b) the UK is going to deliver to the USSR 394 jet engines (duplicates of which have previously been sold to the USSR as well as to other countries). The Foreign Office pointed out that these engines have been superseded by improved models and that the Foreign Office does not approve of release to the USSR of any "secret materials or data."

23

EUROPE

2. USSR: Embassy Moscow urges US efforts to counter Soviet propaganda--US Embassy Moscow reports that the Soviet counteroffensive against the Truman proposals has taken the form of a particularly vicious propaganda attack since the President signed the bill. The proposed economic aid to Greece and Turkey is depicted as the plan of the "anti-democratic reactionary monopoly capitalists" -- who control all phases of American life -- to squeeze profits from these countries and to form an anti-Soviet bloc in preparation for a new war. The Soviets apparently hope: (a) to frighten countries into refusing US aid by depicting the dire consequences of accepting such aid; and (b) to prevent US aid from being effective and thus fix on the US the blame for continued economic unrest.

FAR EAST

3. CHINA: Communists block north China coal supply to Shanghai--US Consul General Shanghai reports that Chinese Communist attacks on the coastal rail line running northeast from Tientsin have cut off deliveries from the large Kailan coal mines (major supply point for Shanghai, Tientsin, and Peiping) to the coal port of Chinwangtao. As a result, the coal supply situation in the Shanghai area has become suddenly acute. Shanghai fuel authorities, the Consul General adds, anticipate that so long as Kailan supplies are cut off, other domestic sources will be able to furnish only about 50% of the coal needed by Shanghai's essential services alone.

Document No. 046

- 1 -

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

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Date: 3/4/78 By: 009

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4. **NEI: Dutch Foreign Office views**--According to US Embassy The Hague, the Netherlands Foreign Office feels that the solution of the NEI problem lies between the extremes of military action and Dutch withdrawal from the Indies; the Foreign Office denies that the Netherlands will resort to arms at this time.

#### THE AMERICAS

5. **COLOMBIA: Strike averted by last-minute settlement**--US Charge Lockett reports, with reference to a last-minute settlement that averted a petroleum workers' strike set for 22 May, that: (a) the US companies involved made "no very serious concessions"; and (b) the union's willingness to settle on such terms was the result of the Colombian Government's "firm attitude" and of labor's loss of face following the recent unsuccessful general work-stoppage.

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38

GENERAL

1. UK rejects request to divert wheat to Germany--A UK Foreign Office official has informed US Ambassador Douglas that the UK cannot agree to divert to Germany five cargoes of UK-bound wheat, because British food stocks are in a "precarious position" (see Daily Summary of 22 May, item 1).

EUROPE

2. FRANCE: Bread ration to be cut again in June--Premier Ramadier has told US Ambassador Caffery that he is "still terribly concerned" about the food situation and that the bread ration will have to be cut again next month. (In discussing the Government's chances of survival, a "reliable source close to Ramadier" has observed to Caffery that, "if the food situation gets no worse, Ramadier's chances of survival appear to be about even; everything depends on the arrival of grain shipments from the US.")
3. BULGARIA: Reported concealment of air force units--US Delegate ACC Sofia transmits as "possibly true" a report from a "fairly reliable" source that several regiments of the Soviet-equipped Bulgarian Air Force are being or will be moved to Yugoslavia in order to conceal the true size of the Air Force from US and UK authorities charged with responsibility for enforcing the Peace Treaty.

FAR EAST

4. NEI: UK warns Dutch on use of force--According to US Embassy London, Bevin has directed the UK Foreign Office: (a) to make it plain to the Dutch that the British will not support them, if they launch military operations against the Indonesians; and (b) to explore the possibility of joint US-UK mediation. Bevin also expressed the view that the US, by threatening to withhold economic support from the Dutch and Indonesians, might induce both sides to be more cooperative.

THE AMERICAS

5. ARGENTINA: Arms ordered from Czechoslovakia--US Military Attache Prague has been told by a usually reliable source that Argentina

Document No. 047

- 1 -

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

~~CONFIDENTIAL~~

Date: 3/4/78 By: 009

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has placed an order with the Skoda Works for 200 German-type 88 millimeter guns. The MA considers the report as "probably true" and adds that Skoda definitely has models of this weapon.

8. PANAMA: Defense settlement desired--The Panamanian Minister of Public Works has told US Embassy Panama that the "entire Cabinet" has turned against Foreign Minister Alfaro because of his handling of the negotiations with the US concerning the Panamanian defense sites (Alfaro has been the chief opponent of the US position in the negotiations), and that President Jimenez is "more worried than ever" over the defense sites question. The Public Works Minister added that the question should be settled "at all costs."

- 2 -

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390

GENERAL

1. UK-USSR treaty negotiations--US Embassy London reports that, according to the UK Foreign Office, "no progress" was made in the latest UK-USSR discussion over revising the Anglo-Soviet treaty. US Embassy Moscow, however, reports that some progress was made, in that the USSR indicated some willingness to modify its insistence on a provision that each nation should refrain from participating in any direct or indirect move against the other. Both Embassy Moscow and Embassy London report that UK negotiators reiterated to the USSR that they could not go beyond the terms of the Anglo-French Treaty.

A high UK Foreign Office official has told Embassy London that he cannot believe the Soviets do not want a treaty, but he feels that the Foreign Office must be prepared for renewed Soviet charges that Bevin does not want one.

EUROPE

2. NETHERLANDS: Conflict over NEI settlement drawing to a head--US Embassy The Hague has been told by Dutch conservatives that Holland's only alternative to becoming a second-rate mercantile world figure is to reconvert its colonies quickly and "by force if necessary." The Embassy reports further that raw troops are "constantly drilling" every night in side streets and that the morale of the new men is said to be high compared to that of the troops who have been returned from the NEI. "Well-informed authorities" are convinced, according to the Embassy, that military action designed to restore law and order in Indonesia will, in effect, be a blow against the further spread of Communism. The Embassy adds that Dutch military and naval commanders have been recommending military action for some time; the atmosphere is tense and the situation might suddenly get out of hand.

The US Military Attache The Hague believes that upon the return of the Prime Minister and the Minister of Overseas Territories from Java on 28 May, the conflict between the Left and the Right over the Government's policy in the NEI will probably come to a head. The MA indicates that the Conservatives and the right-wing Catholics want to use force to implement the Linggadjati Agreement; Labor and the Communists want to reduce troop strength.

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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

- 1 -

~~TOP SECRET~~

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26

~~CONFIDENTIAL~~  
~~TOP SECRET~~

Dutch in NEI pessimistic--According to US Consul General Foote in Batavia, important Dutch representatives in the NEI feel that further negotiations with the Republic will be fruitless. Foote believes that, following the return of these officials to the Netherlands, the Dutch will decide to proceed with the formation of the United States of Indonesia as rapidly as possible.

Significance of Soendanese coup in West Java--Foote also reports that unarmed Soendanese occupied the city of Buitenzorg in West Java on 23 May, taking over all public buildings and seizing Indonesian Republic officials. Foote believes the Soendanese movement against Javanese domination (see Weekly Summary of 9 May, page 9) is gaining strength; if it succeeds, it may encourage Sumatra, Madura, and East Java to secede from the Republic and become separate states within the United States of Indonesia. Foote reports widespread local belief that the days of the Republic are numbered.

3. FRANCE: Talks on Czechoslovak pact to begin soon--US Ambassador Caffery has been told by a Foreign Office official that conversations would begin soon on a bilateral Franco-Czechoslovak pact. The official stated that, while such a pact would afford France little or no protection, it was useful to help countries like Czechoslovakia to "keep a window open toward the west."

Bidault backs Ramadier's stand on strike threat--Foreign Minister Bidault has told US Ambassador Caffery that (a) he is "not unhappy" about the present crisis caused by the threatened electrical workers' strike; (b) he is urging Premier Ramadier to stand firm and he believes that Ramadier will; and (c) the MRP and himself are "heartily behind" Ramadier.

4. DENMARK: Action to end US-Greenland agreement possible--Prime Minister Kristensen of Denmark has informed US Ambassador Marvel that the Communists plan to introduce a resolution in the Parliament calling for action to terminate the US-Greenland defense agreement and "restore Denmark's sovereignty." He also stated that because the major parties have indicated support for such a resolution, his party would be obligated to do likewise; consequently, he believes such a resolution would be passed this week. The Prime Minister considers that, although the resolution was Moscow-directed, Denmark's neutral position must be maintained. The Prime Minister added that the recess

- 2 -

~~TOP SECRET~~~~CONFIDENTIAL~~

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of Parliament (from 30 May to 1 October) may delay Parliamentary action, but when such a resolution is adopted he intends to retard its implementation. (US Military Attache Copenhagen considers passage of this resolution "extremely remote.")

#### NEAR EAST-AFRICA

5. INDIA: Lack of optimism over Viceroy's proposals--Contrary to optimistic information previously received by US Embassy New Delhi (see Daily Summary of 21 May, item 8), US Charge Merrell now reports that neither Jinnah nor Congress Party leaders show any inclination "to create a conciliatory atmosphere" for the conference scheduled for 2 June on the Viceroy's proposals for the transfer of authority in India. Merrell adds that, during the past few days, he has been unable to discover any optimism among Indians or the British concerning the outcome of the conference.
6. IRAN: Reported deterioration in Azerbaijan--US Ambassador Allen has received information that the situation in Azerbaijan has deteriorated. The Shah, aware of conditions, is now making a tour of the province. According to Allen's information, Soviet agents are attempting to incite the Kurdish tribes to resist with force the Iranian Army's disarmament demands. Allen believes that if fighting should break out over the question of Kurdish disarmament, the Soviets "would very probably" try to re-establish themselves in the area by assisting the Kurds.

#### FAR EAST

7. CHINA: Temporary lull in student demonstrations--US Embassy Nanking expects a temporary lull in Chinese student demonstrations as the result of police enforcement of the Government's ban on public mass demonstrations. However, the Embassy believes that the principal motivating forces behind the student movement -- economic deprivation and misery -- probably will lead to greater waves of unrest as the economic situation deteriorates, and as it becomes plainer that the Government can produce "only short-lived palliatives." The Embassy also cites as noteworthy the absence of anti-Americanism in the current demonstrations.

- 3 -

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### THE AMERICAS

8. **PARAGUAY: Mediation of military phase not desired--US Ambassador Beaulac has been told by the Foreign Minister that the Paraguayan Government does not intend to accept mediation of the military phase of the civil conflict, as that would benefit the rebels. The Government, however, has agreed in principle to accept mediation of the political issues after the "unconditional surrender" of the rebels.**

**Army seeks US ammunition--US Military Attache Asuncion reports that the Paraguayan Chief of Staff has asked the Chief of the US Army Mission in Paraguay to turn over 5,000 rounds of US .30 caliber ammunition to the Paraguayan Army for "training purposes." The Attache comments that probably "some or all" of this ammunition would be distributed to Government troops and adds that US Ambassador Beaulac has recommended to the State Department that the ammunition be made available as requested. (The Paraguayan Government is reported to have no .30 caliber ammunition for the machine guns mounted on six lend-lease picket boats which it wishes to use for operations in the Paraguay River along the rebel flank.)**

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27 MAY 1947

~~CONFIDENTIAL~~

38

~~TOP SECRET~~

391

## GENERAL

1. Prospective delivery by UK of jet motors to the USSR--Information now received from the Department of State quotes the UK Foreign Office as saying that the UK is planning to deliver to the USSR "35 Nene jet motors" instead of "359 jet motors" (see Daily Summary of 23 May, item 1).

## EUROPE

2. GREECE: Maximos feels US statement makes his position precarious--US Ambassador MacVeagh has asked the State Department whether it can give some answer to Prime Minister Maximos' request for clarification of Secretary Marshall's reported comment (which appeared in the Athens press on 10 May) that the US does not consider the present Greek Government to be "all that is desired, but . . . hoped it would develop into what is desired." MacVeagh states that this matter may be more serious than it appears and may involve the resignation at a critical time of Maximos, who is the "most non-partisan, moderate, and cooperative personality in the Government." MacVeagh feels that Maximos' request is not merely a sign of personal sensitiveness but an indication of the Prime Minister's precarious position vis-a-vis Tsaldaris and other party leaders. The Prime Minister's most likely successor, according to MacVeagh, would be Tsaldaris, "with consequent difficulties for our mission which anyone who met him in Washington will understand."

## NEAR EAST-AFRICA

3. EGYPT: Formation of Communist Party to be announced--Prime Minister Nokrashy has informed US Ambassador Tuck that: (a) the existence in Egypt of a Communist executive organization is now definitely established; (b) the organization maintains its contacts in Egypt through a senior member of the Yugoslav Legation in Cairo; (c) the organization intends to announce within a few months the formation of a Communist Party in Egypt; and (d) he will not oppose this move as he feels it would enable him "to watch and control Communism more closely."

- 1 -

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 3/4/78 By: 009

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**THE AMERICAS**

4. **NICARAGUA: Somoza in control--US Embassy Managua reports that ex-President Somoza: (a) is now firmly in control of the country; (b) has been informed that the US continues to recognize President Arguello as head of the Nicaraguan Government; (c) apparently has decided that he can "weather a limited period of international disapproval," possibly because of the recent successes achieved by such dictators as Trujillo and Morinigo; and (d) believes that he can force President Arguello (now a prisoner without food) to resign in order that the Somoza-dominated Congress can pick a successor.**

- 2 -

~~TOP SECRET~~

~~CONFIDENTIAL~~

28 MAY 1947

~~TOP SECRET~~

392

## GENERAL

1. UNESCO urged to send only observers to Prague--The Department of State has instructed the US Embassy Paris to inform the Director-General and the Deputy Director-General of UNESCO that the Department considers it essential that UNESCO should not be identified with the forthcoming Prague Youth Festival, or with the conferences in Prague of the International Organization of Journalists and the International Radio Organization (see Weekly Summary of 16 May, page 1). The Department believes it would be preferable to designate UNESCO participants in these conferences as "observers" rather than as delegates and that such observers should not share in the formation of policies.

## EUROPE

2. GREECE: Government wishes to increase size of Army--Foreign Minister Tsaldaris has delivered an aide-memoire to US Ambassador MacVeagh reiterating the Greek General Staff's conviction that the size of the Greek Army must be increased, as the Army "is not at this moment occupied in suppressing armed rebellion but in fighting an undeclared war." The aide-memoire states that: (a) the proposed increase will be subject to US concurrence; and (b), while the Greek Government realizes that military expenses are non-productive and would not willingly agree to diversion of funds for this purpose, it feels that the re-establishment of law and order is an "all-important basis for any future reconstruction plan." (The State Department had informed MacVeagh that in its opinion neither the Greek Army nor Gendarmerie should be increased "pending further study of both military and economic implications.")

## NEAR EAST-AFRICA

3. EGYPT: Delegation to SC not considered strong--US Embassy Cairo reports that the delegation, selected by Prime Minister Nokrashy to present Egypt's case against the UK to the Security Council, owes its composition partially to partisan politics and partially to the lack of better material and is regarded as neither strong nor particularly competent.

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DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 3/4/78 By: 009

- 1 -

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## FAR EAST

4. **CHINA:** Chinese stress immediate need for US loan--The Chinese Foreign Minister has told US Embassy Nanking that China is now at a critical turning point and that a US loan is therefore needed immediately. He added that two Chinese officials recently departed to present this matter in Washington. Subsequently, the Embassy was told by China's Premier that China's immediate ills arise primarily from economic causes and that, if the economic situation could be saved, the way would be cleared for gradual settlement of China's political and social problems.
5. **KOREA:** Rightists may be losing power--US Political Adviser Langdon reports that the coalition of rightist parties headed by Rhee Syngman has memorialized the Joint Commission along the lines of previous rightist protests against the Moscow Decision. Langdon adds, however, that Rhee Syngman's most recent personal statement suggests that "the non-cooperating rightists may be losing control of the situation."

## THE AMERICAS

6. **PARAGUAY:** President desires elections--US Ambassador Beaulac in Asuncion reports that President Morinigo has expressed the hopes that political peace could be achieved by holding free elections after the revolt is suppressed, and that the Paraguayan Government might extend an invitation to other American Republics to send observers to assure themselves that the elections are free.
- Brazil and Argentina agree on mediation procedure--The Argentine Foreign Minister has told US Ambassador Messersmith in Buenos Aires that President Peron and President Dutra (Brazil) have agreed that, if Brazil is unable to mediate the Paraguayan civil conflict, Brazil will seek the views of the other American Republics on joint mediation by Argentina, Bolivia, and Brazil.
7. **URUGUAY:** Berreta-Dutra conversations--US Embassy Montevideo has been informed by the Uruguayan Foreign Minister, on the basis of the recent discussions between Presidents Berreta and Dutra, that:

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(a) Brazil would convoke the Rio Conference whenever the situation in Latin America "gives the most promise of success"; (b) although Argentina is not really interested, it would attend the conference; and (c) Brazil and Uruguay are agreed that the Communist problem in Latin America should be handled by individual countries rather than by inter-American action. The Uruguayan Foreign Minister added his opinion that Argentina's seeming indifference to the conference is a tactical measure.

- 3 -

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393

GENERAL

1. UK to sell jet aircraft to USSR--The British Ministry of Supply has told the US Military Attache London that the UK Government has approved "in principle" the sale of Meteor and Vampire jet aircraft to the USSR; it is contemplated, however, that delivery will not be made for at least a year.

(CIG Comment: Both Meteors and Vampires have already been sold to other powers. The UK will undoubtedly ship the same "export," or obsolescent, models of these aircraft to the USSR.)

EUROPE

2. ITALY: Dunn urges US support of De Gasperi--US Ambassador Dunn reports that De Gasperi is attempting to form a single-party, Christian Democratic government. De Gasperi has told Dunn that: (a) the success of such a government depends upon its ability to deal with the economic situation; and (b) if it fails, a government of the extreme Left would follow. De Gasperi added that survival of the proposed Government would depend upon new and substantial evidence of economic aid which could be applied to the support of the lira and which would indicate to the Italian people that the government had sufficient financial strength to achieve economic recovery.

Dunn believes that "we have come to the point right now" where the US should, if possible, give economic and financial support to the government proposed by De Gasperi, as this would be an "opportunity for the US to indicate in bold relief its political support for the first post-war Italian government formed without the Communists."

29

3. FRANCE: Communists pleased by strike compromise--US Embassy Paris reports that, according to sources close to the Communists, the latter are as pleased as is the Government with the compromise reached over the threatened gas and electrical strike, because the Communists realize that the public is not in a mood to tolerate the difficulties which such a strike would produce. The Embassy believes that, while Communists leaders for the next month at least will try to confine themselves to middle-of-the-road tactics, working class discontent over mounting food difficulties may reach uncontrollable proportions.

- 1 -

Document No. 051  
 NO CHANGE in Class.   
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 DDA Memo, 4 Apr 77  
 Auth: DDA REG. 77/1763  
 Date: 3/4/78 By: 009

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4. GREECE: US reply to Maximos--Secretary Marshall has informed US Ambassador MacVeagh that the Secretary's comment on the present Greek Government, which was reported in the Athens press (see Daily Summary of 27 May, item 2), was not intended as a criticism of Premier Maximos' leadership. The Secretary adds, however, that the US: (a) cannot look with favor on excesses committed by extreme elements of either the Right or Left "whether represented in the Government or not;" and (b) has no intention of attempting to change the Greek Cabinet but considers the continued presence of such irreconcilables as Minister of Public Order Zervas "not reassuring."

## FAR EAST

5. NEI: Foote's views on Dutch-Indonesian relations--US Consul General Foote in Batavia reports that the Dutch have presented new proposals to the Indonesian Republic, and that a Dutch mission is en route to the Republic's capital to hold broad discussions with President Soekarno and his Cabinet. Lieutenant-Governor General Van Mook has declared to Foote that the Dutch have not threatened the Indonesians with the use of force but have told them that "the Linggadjati agreement would be carried out with or without the Republic's cooperation." Foote contends that: (a) the area of mutual distrust between the Indonesians and the Dutch has not increased; (b) Dutch military elements are not gaining in influence over the civilians; (c) the Dutch do not want to use military force; and (d) the Dutch and Indonesians will probably reach agreement if they are left alone, but any outside interference will result in complete Communist or terrorist control of the country.

Dutch favor US-UK arbitration if conditions deteriorate--US Embassy London has been told by the UK Foreign Office that the Netherlands Foreign Office and the Dutch Commission General at Batavia favor US-UK arbitration in the event of a further deterioration of Dutch-Indonesian relations. The Commission General, however, favors arbitration only if the new Dutch proposals are rejected by the Republic.

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EUROPE

NO. 009

1. HUNGARY: Communist coup considered unlikely--The US Military Representative, ACC Hungary, comments that the recent Communist-engineered political crisis is designed to eliminate completely leading members of the Smallholders Party from Hungarian political life. He reports, however, that the possibility of a seizure of power by the Communists is remote because of the unpopularity of Communism among the Hungarian peasantry. He adds that the present Soviet aim apparently is to obtain a more "co-operative" government than that of Prime Minister Nagy, either a coalition government with reduced Smallholder representation or one led ostensibly by the Social Democrats.

USSR bars direct US air negotiations--The US Military Representative, ACC Hungary, has been informed by General Sviridov, Acting Chairman of the Allied Control Commission, that the Hungarian Government or civil air line can conduct air communications negotiations "only with the permission of the Commanding General of the Soviet Occupational Forces through the Chairman of the Allied Control Commission or his deputy." The US Representative on 1 May had indicated US intentions to initiate negotiations for an air agreement with the Hungarian Government.

2. BULGARIA: Dimitrov seeks to discredit US--Acting US Representative Horner reports that Prime Minister Dimitrov's charges -- that a US officer of the Allied Control Commission and a Bulgarian doctor, employed by the US Mission, engaged in a public argument reflecting on the present Bulgarian Government, the USSR, and Dimitrov himself -- appear to be complete fabrications. Horner believes Dimitrov's action has been prompted by (a) Dimitrov's personal feelings over alleged discourtesy to his picture; (b) the unfavorable portrayal of Bulgaria appearing in a recent issue of LIFE magazine; and (c) a desire to put the US Mission on the defensive before Bulgarian public opinion. Horner observes that the Bulgarian doctor involved, now under arrest, may also be charged with gathering intelligence and engaging in other treasonable activities.

NEAR EAST-AFRICA

3. INDIA: Conflict expected over Viceroy's proposals--US Embassy London reports that the announcement on 2 June by the Viceroy will meet Indian demands for immediate transfer of power by proposing the establishment

- 1 -

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DDA Memo, 4 Apr 77  
Auth: DDA REG. 77/1763  
Date: 3/4/78 By: 009



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of a Hindustan and a Pakistan on the basis of Dominion status for both countries. The Embassy emphasizes that because of legal factors demands for early transfer of power can only be met in this fashion and that both countries will have the right to withdraw from the Commonwealth at any time. Embassy London and Embassy New Delhi both report that while the Viceroy's proposals were originally acceptable to Nehru and Jinnah, both men may refuse to accept them at the last moment and that in any event widespread disorders are feared. Both Jinnah and Nehru have requested that the Indian Army (but not UK troops) be employed to suppress all riots promptly and sternly. The Embassies report that the situation is further complicated by strong sentiment in Bengal against partition into Hindustan and Pakistan sections and that, despite Congress and Moslem League opposition to a United Bengal as a separate country, elements within the Province may forcibly attempt the creation of such an entity.

#### FAR EAST

4. CHINA: Further political deterioration anticipated--US Embassy Nanking reports that the political situation in Nationalist China is deteriorating at an accelerated pace, under the influence of economic and military factors. The outlook for the next few months, in the Embassy's opinion, is for further weakening of the Central Government's authority, but not for any spectacular collapse. Economically, China faces continuing food stringency and inflation. Nationalist military reverses in central Manchuria and North China, which may necessitate at least a partial Nationalist withdrawal in those areas, have aggravated general unrest and disillusionment. The Embassy believes that the student movement will assume larger proportions and notes that students are now agitating for a nation-wide general strike to begin 2 June. Anti-civil war sentiment is increasing but has not induced the Government thus far to make a formal offer to negotiate with the Chinese Communists. If the Government does make such an offer, it will probably do so with the foreknowledge that the Communists will either ignore or reject any peace overtures at this time.
5. NEI: Dutch doubt acceptance of their terms--US Embassy The Hague reports that the Netherlands Foreign Office has little hope that the Indonesians

- 2 -

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will accept the terms of the 27 May Dutch note which proposed the establishment of an interim Dutch-Indonesian regime to govern the NEI pending the creation of the United States of Indonesia. The Foreign Office suggests that a solution of current problems might be facilitated, if the US and UK were to urge the Republic to be reasonable and consider the consequences of rejection of the Dutch note. The Foreign Office does not support the referral of the question to the UN because it does not desire "the Soviets in the picture."

### THE AMERICAS

6. **NICARAGUA:** Opposition hopes to win elections--US Embassy Managua reports that (a) growing fear of non-recognition and the refusal of the opposition to participate in the de facto government may force Somoza to dissolve the Congress and call elections for a Constituent Assembly; and (b) the Conservative Party, the leading opposition party, has agreed to participate in the elections in the hope that it could win an "easy majority" in reasonably free elections (Somoza has admitted rigging the February 1947 elections). The Conservatives, meanwhile, have refused to sign a manifesto supporting the restitution of President Arguello, apparently because they intend to use their expected majority in the Constituent Assembly to force Somoza to leave the country or to stage another coup.

The US Naval Attache Managua reports that he has discussed the Somoza coup with diplomatic representatives of many countries both at Guatemala City and at Managua and that all urged that the US take the initiative to obtain joint inter-American action to isolate Somoza's de facto government and to support the Arguello Government.

~~TOP SECRET~~~~CONFIDENTIAL~~