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TOP SECRET

GENERAL

Sat.
Feb. 23
8

1. Developments in Council of Foreign Ministers--The latest reports from Dunn on the meeting of the deputies at the Council of Foreign Ministers include the following: (a) After further inconclusive discussion of the boundary line in Istria between Italy and Yugoslavia, the deputies decided that the commission of experts should try to establish a line which would define the area for investigation. Dunn does not believe the experts will be able to agree, since they will be faced by the same problems on which the deputies have been unable to agree. (b) Soviet Deputy Gusev is unwilling at this stage to invite Italy to express its general views on the subject of a peace treaty. (c) Gusev's attitude at the Conference suggests that the Soviet Government is not at present interested in the early conclusion of treaties with Italy and the Balkans. Many meetings of the deputies recently have been cancelled at his request. He now states that he will be absent from London for ten days beginning 9 March and does not appear inclined to designate anyone to act in his place.
2. British views regarding the USSR: Ambassador Winant reports that the Foreign Office has the "general impression" that the USSR does not desire a major war in the foreseeable future, but does wish to prepare itself and its people against the possibility of war being forced upon it. The Foreign Office also believes that, in seeking specific objectives, the Soviets will be much more cautious than were the Germans in avoiding provocations which might lead to even local hostilities.

Winant adds that, in the recent debate on foreign affairs in Commons, the theme of "getting along with the USSR" was largely replaced by that of "stand up to Russia." Bevin in his speech was unable to give much comfort to either the "stand-uppers" or the "lie-downers."

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3. Aircraft Carrier MIDWAY and three destroyer plane guards, beginning 1 March, will undertake two weeks of cold weather operations in the northeast Atlantic.

EUROPE-AFRICA

4. ITALY: Allied reinforcement of Venezia Giulia urged--As noted in the Summary for 16 February, (a) the Allied Commander in Italy had decided, over the protests of British and US political representatives, to transfer "military maintenance" from Trieste to Venice, and (b) Ambassador Kirk had recommended that the Combined Chiefs of Staff reverse that decision. In a 22 February report, Kirk further recommends that the CCS immediately increase Allied military and naval strength in the Trieste area. He believes that the maintenance of strong Allied military forces during the present interim period is the "best and probably only insurance against postwar aggression in this area."
5. ITALY: Proposed referendum on monarchy and interim regime--Prime Minister De Gasperi informs Kirk that as yet no settlement has been achieved on the projected elections for the Constituent Assembly or on the Assembly's powers once it has been elected. The Government is seeking coalition agreement to the following three-point compromise: (a) election by the Assembly of the President of the Council, who will then nominate his ministers; (b) retention of the Lieutenant General of the Realm for the promulgation of laws; (c) a popular referendum to decide the question of a Monarchy or Republic as the ultimate form of government.

The referendum would be held simultaneously with elections for the Assembly and would submit to public vote both the monarchy question and points (a) and (b) above. In view of his desire to hold elections by late May, De Gasperi urgently asks for the US view on the referendum proposed and on the extent to which retention of the Lieutenant General, even with reduced powers, will provide juridical continuity.

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6. RUMANIA: Government would expel foreign capitalists-- Berry reports that immediately after British recognition of the Groza Government, that Government invoked its "sovereign" rights to demand the early departure of four British businessmen who had recently arrived with ACC clearance. The torn fragments of their applications for residence permits were flung at them with the statement that businessmen from capitalistic countries were not desired in Rumania today.

The British will contend in ACC that, until the conclusion of a peace treaty, the Rumanian Government has no right to expel British subjects present with the consent of ACC. The Soviets have previously maintained that, except for personnel of Allied missions, clearances should be obtained from the Rumanian Government.

7. YUGOSLAVIA: Trade statistics--US Charge Belgrade reports that during the period January - September 1945, Yugoslavia showed an unfavorable trade balance of 494 million dinar, excluding UNRRA shipments (valued at 713 million dinar). The USSR received 70.2 percent of the exports and supplied 54.4 percent of the imports. The only exports to the US were 63 tons of hops and imports from the US (woolens and petroleum products) represented only 6.6 percent of all imports.
8. AUSTRIA: USSR seeks direct settlement of DDGS case with Austria--The Austrian Foreign Minister reports that Soviet representative Kisilev called on him Wednesday to suggest that the Austrians withdraw their communication to the Allied Council concerning Soviet seizure of the Danube Shipping Company (DDGS). Kisilev intimated that local Soviet officials had moved too hastily in the matter and held out hope that Austria and the USSR could solve the question amicably between themselves. He argued that the Austrians openly abandon claims to sovereignty when they appeal to the Allied Council. The Foreign Minister plans to discuss the case further with Chancellor Figl before making any decision.

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9. BULGARIA: Reported aircraft arrivals--ACC Bulgaria believes that the aircraft reported by General Schuyler to have flown over Constanza on 12 February are now in the Plovdiv area. These aircraft may have come to Bulgaria for the celebration of Red Army Day on 23 February.

FAR EAST

10. JAPAN: Imminent exhaustion of food stocks--MacArthur estimates that exhaustion of government food stocks will reduce the average daily intake of urban Japanese to 471 calories for the months of May to September inclusive, with serious deficiencies developing in April. The US fulfillment of food requirements previously recommended by him would raise the figure to 1239 calories, which would still be substantially below the proposed minimum requirement of 1550 calories. He believes that the failure of the US to provide staple foods, at least in the quantities already requested by him, would result in starvation, widespread disease, and "uprisings of a major character," which the currently projected occupation force might be unable to handle.
11. N.E.I.: US limitation on use of transport facilities--The War Department has notified the Commanding Generals of US Forces in China and in India-Burma that it is against State Department policy to use American vessels or aircraft to transport either (a) British, French and Netherlands troops to or from the NEI or French Indochina, or (b) arms, munitions or equipment to the NEI or French Indochina for military use in those areas. The State Department interpretation of the word "troops" allows transportation of individual officers and men of British, French or Netherlands nationalities with their personal equipment and baggage.
12. INDIA: Mutiny ends--The CG IBT, New Delhi, reports that the Bombay mutineers surrendered unconditionally on 23 February. The civilian situation is also reported under control as a result of strict curfew enforcement and strong patrols of military in tanks and armored cars. Karachi and Calcutta both are currently reported quiet.

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THE AMERICAS

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13. ARGENTINA: US position--Ambassador Berle reported recently that Brazil wishes to follow the US lead regarding Argentina. Secretary Byrnes has now told Berle to express US appreciation and to inform the Brazilian Foreign Office that the US position is as follows: (a) The Blue Book fully justifies the US refusal to sign a mutual assistance pact with a Peron-controlled Government. (b) The US believes that the other Republics, after analyzing the Blue Book, will take the same position. (c) The US position will not be affected if Peron is elected President. (d) It is of greatest importance that, if Peron is elected, a substantial majority of the Republics jointly declare their lack of confidence in his Government and subsequently conclude a mutual assistance pact (excluding Argentina) at Rio. Postponement of the Rio meeting must be avoided; noncooperation by one Republic must not block achievement by the other twenty.
14. ARGENTINA: Soviet trade mission--Earlier this month the Soviets requested US transit visas for a trade delegation going to Buenos Aires. Ambassador Berle now suggests that the US release that news after the Argentine elections, since the sending of a mission following publication of the Blue Book would justify the conclusion that Soviet policy is designed to weaken the UK, and possibly the US.
15. DOMINICAN REPUBLIC: Plot against Trujillo--Embassy Caracas has been told by a "reliable contact" of a plot to assassinate President Trujillo sometime between 24 February and 8 March. Exiled Dominicans in Caracas are said to be planning a revolutionary government to succeed him.

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