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GENERAL

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1. US restricts trade with Spain--The State Department has informed Embassy Madrid that, as long as the Spanish situation is before the Security Council, it cannot agree to US Government purchases in Spain and sales by US Government agencies to Spanish buyers. The Department adds that this policy (a) will be reviewed after the Council's decision, if the decision justifies reconsideration; and (b) in no way affects the purchase of Spanish food by "other than US agencies."
2. Bidault uncertain whether Molotov will attend Paris conference--Bidault has informed Caffery that he is not yet certain as to whether the USSR will be represented by Vishinsky or Molotov at the Council of Foreign Ministers.
3. Soviet position on German assets in Austria--Erhardt reports from Vienna that the Soviets probably will take the position, in the Foreign Ministers' discussions on Austria, that they are willing to discuss German foreign assets in Austria with the Austrian Government but not with the Allies.

EUROPE-AFRICA

4. FRANCE: Bidault to run for the Presidency--Bidault has told Caffery that he is "reluctantly putting forth" his candidacy for the Presidency. He intends to "make it plain" that he will not "tolerate a dictatorship of the CGT," although he considers that the "whole price-wage structure" needs drastic revision by the Government. He plans, if he becomes President, to retain the Foreign Ministry.
5. AUSTRIA: Growing sentiment for trade agreement with the USSR--Erhardt reports that, though the Austrians have not yet opened long-term trade negotiations with the Soviets, "a growing body of public opinion" favors cooperation, including a trade agreement, with the USSR. Erhardt feels that this trend reflects discouragement over (a) the prospective loss of South Tyrol, (b) the inadequacy of UNRRA's relief program, and (c) the continuation of four-power control and occupation.

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6. **VENEZIA GIULIA:** Yugoslavs discount resistance to invasion-- According to General Harding, Commander of the XIII Corps, "evidence exists" that the Yugoslavs are telling their troops that the US and UK will not "resist actively" any advance by Yugoslav troops into Zone A. The Supreme Allied Commander Mediterranean Theater has instructed General Harding to meet by force any "peaceful" penetration pursued in defiance of warning.
- Expected Italian emigration from Pola-- General Harding (a) reports "great uneasiness" among Italians in the Pola area over apparent US and UK willingness to grant Pola to Yugoslavia, and (b) believes that many Italians will soon apply for permission to move, with their personal and industrial property, to territory they expect will be awarded to Italy. The US Political Advisor at Caserta recommends that they be granted permission to make such a move.
7. **BULGARIA:** Possibility of Soviet military threat-- US Representative Barnes in Sofia and General Robertson of the US Military Mission believe that current Soviet activity in Bulgaria indicates that the USSR may be planning to confront the US and UK, at the Council of Foreign Ministers, with the threat of immediate military action "on an isolated scale." Barnes (a) confirms the reduction of Soviet forces in Bulgaria but thinks that the troops may have gone west and north rather than to the USSR; (b) doubts that Soviet troops have withdrawn from the Turkish and Greek frontiers; and (c) believes that the Soviet political and military "hustle and bustle," although of "no precise nature," is indicative of "something important afoot."
8. **POLAND:** US opposes further visits by "London Poles"-- Secretary Byrnes has informed Harriman, in connection with a reported campaign to raise funds in the US for the London Polish "Government," that, although there is no objection to General Bor's unofficial visit to the US, it would not be desirable to receive visits from other "Government" members, since they would assist in raising funds which presumably would be used to oppose the Warsaw Government. Ambassador Lane anticipates that the Warsaw Government will continue to "play up" Bor's visit to the US as "alleged evidence" of the "unfriendly attitude" of the US and UK toward Poland.

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FAR EAST

9. N.E.I.: US anxiety over Palembang--The State Department has expressed to Harriman its concern over the question of responsibility for protection of foreign interests in the N.E.I, and in particular of US petroleum interests at Palembang, Sumatra. The Department suggests that Harriman convey US interest in the problem to British officials but in such terms that (a) the British will not be prompted to invoke US participation in the protection and (b) the US inquiry will not be used as justification for military measures against the Indonesians.
10. CHINA: Sinkiang agreement--Embassy Nanking reports that representatives of the Chinese Central Government and the Ining authorities in Sinkiang have signed an agreement providing for (a) abolition of the trading company which served as cover for corruption in the last regime; (b) suspension of all tax collection for six months; (c) abolition of the secret police; and (d) immediate release of political prisoners.
11. SIAM: Report on border situation--Legation Bangkok reports that, while the border situation has definitely improved, it will continue unstable and unpredictable as long as there remain on the Siamese side of the border thousands of Indochinese refugees whom the Siamese cannot disarm or control. The British Minister at Bangkok has recommended that London take prompt steps to expedite settlement of the Franco-Siamese controversy.

THE AMERICAS

12. ARGENTINA: Report of Argentine aid to Paraguay rebel--Messersmith reports that, according to "information from various sources," Colonel Benitez Vera, leader of the recent unsuccessful revolutionary movement in Paraguay, was provided travel facilities by Argentine Army officers for his hasty return from Buenos Aires to Paraguay to head the movement. Messersmith adds, however, that there is no evidence of Peron's complicity in this action.

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13. ARGENTINA: Swedish visas requested by military--The Swedish Minister to Argentina has informed Messersmith that, because of indication of US disapproval, Sweden is withholding visas for nine Argentine military personnel who wish to inspect the Bofors factory. Messersmith recommends that the US offer no objection to the inspection tour since Sweden has agreed to ship no arms to Argentina without US consent.

14. ARGENTINA: Precedence for Rio Conference urged--Messersmith believes that to hold the Bogota Conference on hemisphere problems prior to the Rio Conference on military assistance would indicate a complete lack of confidence in the new constitutional government of Argentina before it has had ample opportunity to prove its good faith. (President-elect Ospina Perez of Colombia has suggested that the Bogota Conference be held first in order to determine whether Argentina would tend "not to comply with commitments.")

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