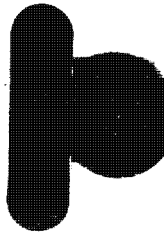


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## GENERAL

1. British attitude on Palestine plan--Grady has informed Byrnes that the British do not expect either the Arabs or Jews to approve formally the US-UK plan for Palestine as worked out in London but are counting on "a measure of acquiescence" from both sides. Grady adds that as soon as the British have decided to go ahead with the plan they will at once implement the movement of the 100,000 Jews into Palestine.
2. Spain reported willing to make deal with UK--US Military Attache Madrid reports, [redacted] that the Franco Government probably has indicated its willingness to carry out certain internal reforms and restore the Monarchy in return for "official" assurance of British support (see Daily Summary of 17 July, item 2). Informed Spaniards are said to regard this change in British policy as one reason for Franco's deferring changes in his Government.
3. Soviet propaganda in Italy--Legation Bern has been reliably informed that the USSR Consulate to be established in Lugano will employ over eighty people for infiltration and propaganda. G-2 MTOUSA reports from Caserta that Communist propaganda agents, well supplied with funds, appear to be active throughout Italy.

## EUROPE-AFRICA

4. USSR: Smith comments on Zhukov transfer--US Ambassador Smith reports that there is "some circumstantial evidence" that Zhukov has been replaced by Koniev as commander of Soviet Ground Forces. The fact that censors passed news stories of Zhukov's transfer to Odessa "suggests" that the report is true. Smith adds that the rumors about Zhukov and the removal of two other high Soviet officials do not appear to afford evidence of a widespread "reshuffle of high military and security personnel."
5. IRAN: Extension of Schwarzkopf mission--US Ambassador Allen expresses the hope that the US will not hesitate to grant Qavam's request for a two-year extension of the Schwarzkopf mission.
- Soviet proposal for civil air routes--Allen also reports that the USSR, apparently because Iran has resisted the proposed Soviet air monopoly in northern Iran (see Daily Summary of 24 July, item 9), has requested

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Iran's permission to fly four civil air routes from the Soviet Union into Iran. One route would connect Baku, Tehran and Abadan and continue on to Cairo.

6. ENGLAND: Labor loses ground in by-elections--Ambassador Harriman, in commenting on recent by-election results, notes that Labor has lost ground for the first time since the general elections and that the losses have been largely on domestic issues. He observes that Labor leaders expected to lose ground after about a year and that political feelings are gradually dissolving personal comradeships developed during the war-time coalition.

Labor Party mission to visit Warsaw--Harriman also reports that the Labor Party good-will mission will proceed from Moscow to Warsaw. The Foreign Office is "somewhat concerned" because the visit will be with the pro-Communist "Social Party" rather than with the Peasant Party.

#### FAR EAST

7. CHINA: Civil war impending--Ambassador Stuart reports that the increasing scope and violence of clashes between Kuomintang and Communist forces throughout China indicate the imminent approach of full scale civil war.

Security of foreign nationals in Shanghai--US Consul General Davis, in answer to official French inquiries, has replied that US representatives in Shanghai (a) look to the Chinese authorities to protect US nationals and other foreigners and (b) have no reason to anticipate any need for the use of foreign armed forces for this purpose. Davis added, however, that should the situation develop beyond Chinese control, "American assistance would be extended to American nationals and for humanitarian considerations to such other foreign nationals as might require it."

8. N.E.I.: Malino Conference--US Consul General Foote reports that certain members of the Dutch delegation to Malino have been outspoken in their praise of the Indonesian delegates. These Dutch members believe that if Soekarno falls in step with the developments at Malino, real progress will have been made towards the end of trouble in the N.E.I.

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THE AMERICAS

9. **BOLIVIA:** Recognition of new regime considered--The State Department has advised the various US Embassies in Latin America that several American Republics have asked the US Government for its views on the recognition of the new Bolivian Government. Ambassador Wiley reports from Bogota that the Colombian Foreign Minister is critical of atrocities committed at the time the Villarroel government was overthrown. US Ambassador Flack reports from La Paz that the majority of deaths occurred when Government troops and police fired on unarmed students. Flack feels that order is slowly being restored and that the new regime is "substantially" meeting conditions for recognition.
10. **ARGENTINA:** British views--According to Harriman, the British Foreign Office is of the opinion that, because of the world food shortage, Argentina feels herself to be in an advantageous position which will last for five years. The British also believe that such an attitude shows a lack of comprehension of world developments and that the members of the Argentine government have little ability and no experience in international affairs.

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