

8 MAY 1946

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## GENERAL

1. US reaction to Commonwealth Pacific defense formula--The War Department representative at the Council of Foreign Ministers reports that on 2 May Byrnes told Bevin that the US is not interested in the defense formula proposed by the Commonwealth Ministers but would be glad to discuss bases using the US proposals as a basis.

(The Commonwealth Prime Ministers have agreed (a) to favor a regional arrangement or arrangements for the maintenance of the peace and security of South Pacific and Southwest Pacific areas, (b) to invite US participation in such agreements, (c) to consider, as a part of any such arrangements, the future administration and use of Pacific bases, and (d) to insure that all such regional arrangements are consistent with UN.)

Bevin is seeking Attlee's permission to agree in principle that (a) Canton and Christmas Islands will be transferred to US sovereignty; the US will maintain installations on these islands and give the British military and civil landing rights; (b) the British will retain sovereignty over Funafuti, maintain the airfield and give the US military and civil landing rights; and (c) Tarawa be ceded to the US immediately.

2. Bevin seeks ships to move Polish Corps to UK--Secretary Byrnes reports that Bevin fears that he will soon be faced with demands from either the USSR or Poland to deliver as war criminals many Poles now in the Polish Corps in Italy. He is determined not to hand them over. The Secretary recommends that the US grant Bevin's request for twelve troopships to move the Polish Corps to England or North Ireland as quickly as possible.

## EUROPE-AFRICA

3. FRANCE: Likelihood of Communist coup d'etat weighed--US Forces European Theater have transmitted; with comments, a Western Base Section intelligence summary of the French situation. Western Base Section believes that (a) if the 5 May referendum ratifies the new Constitution, the Communist Party will not immediately attempt to seize power, but if the 2 June National Assembly elections are "inconclusive as to Communist strength" the possibility of such an attempt exists;

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and (b) if the Constitution is rejected the Communists "will definitely attempt" to seize power, immobilizing the US Army by destroying its transport and fuel supplies. USFET comments that, under any of these circumstances, a Communist coup d'etat attempt is "improbable," but "always a possibility."

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\_\_\_\_\_ considers that only defeat in the June elections will cause the Communists to attempt seizure of power.)

USFET has requested authority to move troops into France "for the protection of critical installations" if a threat should develop. Estimates have been confirmed that 300,000 French Communists are now armed.

A report in March of a French Communist coup in April was considered at that time by US and British authorities as "possible but improbable" (see Daily Summary of 13 March, item 2).

4. GERMANY: Rhine navigation--The State Department has been advised by its representatives in Frankfurt that (a) the French have formed a Rhine shipping organization (CFNR) contrary to US-advocated tripartite traffic policy; and (b) the US will attempt, with British cooperation, to persuade the French to join in the formation of a tripartite traffic committee and to withdraw the CFNR from inter-zonal affairs.
5. GERMANY: British favor industrial improvement in western zones--According to Harriman, the British now consider that Germany "must not be allowed indefinitely to remain an international slum." While continuing their efforts to make Germany a single economic unit, the British advocate "encouragement" of the economy of the western zones, especially in view of the current rehabilitation in the Soviet zone.
6. RUMANIA: Soviets propose economic program--Général Schuyler, US delegate ACC, reports that the Soviets have requested US and UK concurrence in the following suggestions, to be made by the ACC to the Rumanian Government, for expediting Rumania's economic recovery: (a) a centralized government industrial planning agency to control the country's resources and assign production quotas to the more important industrial enterprises, (b) direct government control over exports and imports, (c) government supervision of all banks and credit, and (d)

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(d) more stringent budgetary and taxation controls. The US and UK delegates have asked for time to study the plan.

7. HUNGARY: Anti-Anglo-Saxon trend in leftist press--The US delegation ACC reports that the Communist and leftist press in Hungary has recently begun to print anti-American and anti-British news, including such items as a "libellous" story on the alleged looting of Japan by the US Army.

#### FAR EAST

8. KOREA: Popular dissatisfaction with Commission's progress--General Hodge reports that Koreans are restive and dissatisfied with what they consider to be lack of concrete progress by the Joint Commission and that serious unrest will probably develop both in northern and southern Korea if current Commission deliberations fail to produce concrete results in the direction of unifying the country and restoring independence. Many Koreans, particularly those of leftist tendencies, are voicing the opinion that US and Soviet occupation forces should be withdrawn and Korea be permitted to run its own affairs without outside interference and influence except for selected advisors.
9. INDIA: Jinnah softens his position in negotiations--US Mission New Delhi reports that the following may foreshadow more rapid progress in discussions between the British Cabinet Mission and Indian political leaders: (a) indications that Jinnah has taken a less uncompromising position and is now ready "to do some bargaining;" (b) reports from secret British sources that Gandhi keenly desires to reach a settlement with the Muslim League; and (c) indications that the British, contrary to the belief of many Congress supporters, are not anxious to obtain greater concessions from Congress than from the League. US Commissioner Merrell is not "particularly optimistic" over the prospects of Congress-League agreement but considers that, if the Cabinet Mission really intends to arrange for withdrawal of British authority in India and can convince Jinnah that such withdrawal is inevitable, some basis may be found for Congress-League cooperation in an interim Government.

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THE AMERICAS

10. ECUADOR: Possible military coup--Reports from Embassy Quito and the FBI indicate the possibility of an attempt on 4 May by artillery and cavalry units to overthrow the Velasco Government.

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