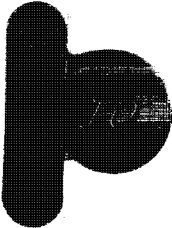


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10 MAY 1946

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GENERAL

1. Dominions Prime Ministers conference--The Foreign Office has given Harriman a summary of recent developments at the Dominions Prime Ministers conference which now has been adjourned until 20 May pending the arrival of Mackenzie King.

With regard to Pacific bases, the Ministers agree that (a) no substantial concessions can be made now to US requests (see Daily Summary of 3 May, item 1); (b) the question of bases should be treated only in connection with general Pacific defense plans; and (c) grants to the US of bases in the British Commonwealth should be contingent on US grants of reciprocal rights.

With regard to Europe, the Ministers agree that (a) Germany should be treated as an economic unit, even if dominated by the Communist Party; and (b) the small states should have their just say in the formulation of peace treaties. The ministers took considerable exception to the implications of Attlee's statement regarding the proposed British withdrawal from Egypt.

The Foreign Office spokesman gave no details on discussions concerning atomic energy, as this question "would have to be discussed between the UK and US on a high level." Discussion was also initiated on the possibility of establishing a regional body to carry out social projects in the southwest Pacific, on which the Dominion representatives agreed in principle.

2. Azores air base negotiations--Embassy Lisbon, after further negotiations with the Portuguese, reports as preliminary conclusions that the Portuguese (a) expect Santa Maria to be turned over to their complete control after 2 June; (b) will desire US technical assistance, although they believe they can operate a commercial airfield themselves; (c) envisage use of Lagens and Santa Maria by military aircraft in transit between US and the US zone of occupation, but (d) do not expect any US military personnel at Santa Maria for the performance of the transit operation. Embassy Lisbon believes that the Portuguese will insist on a "new basis" for any agreement after 2 June.
3. US urges action on Telecommunications Conference--Embassy London has been instructed to discuss with the British parallel action in urging the Soviets to convene promptly the five-power Preliminary Conference

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on Telecommunications, which had been planned for this spring in Moscow. Further delay will necessitate a postponement of the World Conference, scheduled for this fall or next spring.

4. Soviet-Hungarian navigation company--According to Legation Budapest, the recently established Soviet-Hungarian navigation company in effect completes Soviet control over all Danube navigation from the Austrian border to the Black Sea. Although the company's board of directors is to be headed by a Hungarian, the chief executive will be a Soviet citizen with power to administer the company and take any action without referring to the board of directors.

EUROPE-AFRICA

5. IRAN: Qavam's difficulties with Shah--Ambassador Allen reports that in his initial interview with Qavam, the latter stated that his negotiations with the Azerbaijanis still had achieved no results. Qavam added, "in the utmost confidence," that actually he has "come fairly close to an agreement with the Azerbaijanis" but that his real difficulties are with the Shah, who advocates immediate occupation of Azerbaijan by the Iranian Army. Qavam expressed the hope that Allen "would give the Shah good advice" and added that Iran still is suffering from British as well as Soviet pressure.
6. LEVANT STATES: Reaction to Palestine report--Minister Wadsworth reports that Syrian and Lebanese reaction to the Palestine Commission's report has been "disillusionment, hardening into determination to resist implementation of the Commission's recommendations." Wadsworth suggests, in view of the "intensity of anti-American feeling," that the State Department consider issuing an official statement assuring the Arabs that the US will take no decision without "full prior consultations" with the Arab governments. He quotes the Syrian Prime Minister as (a) stating that "Soviet influence is gaining ground daily at your expense" and (b) suggesting that the Arab League may take the issue to the Security Council "as one endangering international peace."

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7. GREECE: Plebiscite on the monarchy--Secretary Byrnes has informed the British Foreign Secretary that the US Government (a) would consider autumn of 1946 "satisfactory" for the proposed plebiscite on the Greek monarchy, and (b) would be prepared to accept a formal invitation from the Greek Government to provide observers in connection with the revision of the electoral register (see Daily Summary of 6 May, item 8).
8. RUMANIA: Attempt to oust Vatican representative--According to the US political representative in Bucharest, a spokesman of the Rumanian Foreign Ministry has (a) threatened the Papal Delegate with "calumnious disclosures" to be made during the trial of former Premier Antonescu, and (b) sent the Delegate a virtual ultimatum to leave the country. The Delegate intends to stay at his post until forcibly removed.
9. YUGOSLAVIA: US air agreement now unlikely--Charge Shantz believes that the US will not be able to secure air rights in Yugoslavia at this time. Operation by Pan American of a certified route through the Balkans cannot now be arranged without "serious pressure" by the US on Yugoslavia.
10. CZECHOSLOVAKIA: US approves \$50 million credit--The Export-Import Bank has approved a \$50 million credit to Czechoslovakia, provided the Czechs agree to pursue economic policies in harmony with US and world trade interests and conclude a comprehensive economic treaty with the US. The State Department hopes to announce the loan next week in order to (a) counteract the effect of expected Soviet wheat deliveries to Czechoslovakia on 15 May (see Daily Summary of 1 May, item 8), and (b) expedite Czech purchase of US cotton to relieve the Czechoslovak textile industry of its dependence on the Soviets.
11. SPAIN: Crop prospects "excellent"--Embassy Madrid reports that, in view of "excellent" crop prospects, (a) Spain may have crop surpluses available for export but (b) the country's transport system is inadequate to mobilize crops efficiently. The Embassy asks for advice, "in the light of world-wide food shortages," on overall US policy toward Spanish food exports and assistance to Spain in improving transport facilities.

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12. FRANCE: Communist coup not believed imminent--US Military Attaches in Paris and Madrid concur in the opinion that the Communists will not at this time attempt to seize power in France (see Daily Summary of 8 May, item 2). They believe rather that the Party will concentrate on winning the 2 June elections by legal methods.
13. SWEDEN: Sale of surplus P-51's forbidden--The State Department has informed Legation Stockholm that despite a previous Swedish-OFLC agreement US policy on surplus arms prevents the sale of surplus P-51 aircraft to Sweden. (The OFLC's contract was concluded with the Swedish Government without prior State Department approval.)

FAR EAST

14. KOREA: US to seek Consulate in North Korea--Embassy Moscow has been instructed to approach the Soviet Government regarding the urgent desire of the US to open a Consulate at P'yongyang (Soviet headquarters in Korea). If the Soviets do not reply favorably within 15 days after being approached, the US intends (a) to ask the Soviets to discontinue Consular activities in Seoul, and (b) if the Soviets fail to comply, to authorize General MacArthur to effect compliance.
15. CHINA: Early withdrawal of Marines from North China impracticable--Acheson has informed Byrnes that General Marshall (a) is encountering great difficulties in accomplishing his mission, and (b) considers it impracticable to withdraw the approximately 30,000 US Marines from North China in the near future. (On 5 May Byrnes indicated to Molotov that US troops in North China would be withdrawn in a month.) Acheson concurs with the War and Navy Department opinion that it is inadvisable to make any commitment with regard to a date of withdrawal.

THE AMERICAS

16. BOLIVIA: MNR tactics--Charge Adam in La Paz reports that the pro-Peron MNR party, which used torture and intimidation to achieve success in the recent Congressional elections, is attempting to persuade the President to declare a state of siege and impose strict censorship on the opposition press.

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