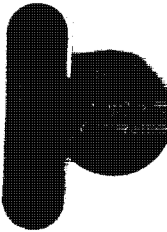


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1. Soviet troop movements in Balkans--According to the US Delegate ACC, Bulgaria, Soviet forces are leaving Bulgaria in "considerable numbers." The US Delegate ACC, Rumania, reports that "the majority" of Soviet NKVD troops in the Bucharest area are leaving the city.
2. British control of Italian cables--Admiral Stone has given Embassy Rome his views on the question of British control of former Italian cables (see Daily Summary of 24 April, item 1). Stone contends, with the concurrence of Charge Key, that (a) the British claim for the Rome-Malaga line, as war booty, is no more justified than Tito's claim for Italian property in Zone "A", (b) US communication companies and commercial interests will be "gravely injured" if the terminals or relay points are in British hands, and (c) the British demand should be "successfully resisted."

EUROPE-AFRICA

3. AUSTRIA: Work for displaced persons--General Clark has proposed to the War Department that DPs who remain in Austria and accept gratuitous support be "brought into the general labor market" with wages, rations, and conditions of employment similar to those of Austrian citizens.
4. CZECHOSLOVAKIA: Soviet wheat comes from Germany--A member of the Czech Embassy in Moscow has told Ambassador Smith that the 30,000 tons of wheat which the USSR had promised to give Czechoslovakia by 15 May will come from Germany.
5. YUGOSLAVIA: Troop concentrations--Assistant Naval Attache, Belgrade, reports that during a recent auto trip he (a) observed renewed concentrations of Yugoslav troops in the mountains near the Italian border and (b) received local confirmation of the presence in the area of high-ranking Yugoslav and Soviet officers.

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6. IRAN: Qavam's attitude toward Ala--Ambassador Allen reports that Qavam has (a) expressed pleasure at the Security Council's retention of the Iranian case but (b) stated that Ala's "attitude and remarks" have caused him "the most serious embarrassment." Qavam indicated that he felt compelled to withdraw Ala from his post in the Security Council but agreed not to take any such action "at present."

Shah seeks "more direct" support--The Shah has told Allen that (a) he is increasingly dissatisfied with Qavam's "passive policy" and (b) he hopes for direct intervention by the US and UK in Iran to offset Soviet activity.

Allen's estimate of political trends--Allen notes that anti-British propaganda is very active and states that "it is not difficult to envisage that" if the next Cabinet is "only slightly more to the left than the present one," Iran might submit to the Security Council a complaint against British interference.

Soviet tactics in airline competition--Ambassador Allen has informed Qavam "unofficially" that he has learned of efforts by the Soviet airline in Iran to offer "ruinous" competition to the newly-formed Iranian Airways, which is ten percent US-owned and is equipped with US-built aircraft. When Allen said that the Soviet practice was "purest sabotage," Qavam agreed that the Soviets "had no genuine basis for complaint" against the operations of Iranian Airways.

Thornburg to leave Iran--Allen reports that Max Thornburg, whose arrival in Iran on a private economic mission has been termed "most embarrassing" by the State Department (see Daily Summary of 23 May, item 1), is to leave on the "next available plane" on 30 May.

7. ICELAND: British agreement with Iceland on Reykjavik airfield--Legation Reykjavik has been advised that the British are about to conclude an agreement for turning over their interests in Reykjavik airport to Iceland. The Icelandic Prime Minister obtained the concurrence of "his Communist opposition" to a forthcoming written agreement, which will permit use of the field for RAF ferrying operations during the next eight months.

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FAR EAST

8. **KOREA:** US feels Chinese mission premature--Secretary Byrnes has directed US Embassy Nanking to inform the Foreign Office that "pending clearance" the Chinese should not send a mission to Korea to survey Chinese properties and prepare a list for submission to the US Government. (On 2 May, General MacArthur advised the State Department that he believed the stationing of Chinese diplomatic representatives in Korea was premature because of "unsatisfactory political conditions and the lack of proper housing facilities.")
9. **CHINA:** Communist military capabilities--According to the Commanding General, US Army Forces in China, the results of the battles of Penhsi-hsu and Changchun indicate that the Communists (a) are unable to match the Nationalists in formal positional warfare, but (b) retain the capability for large-scale guerrilla warfare throughout Manchuria.

THE AMERICAS

10. **PARAGUAY:** Embassy favors credit extension--Ambassador Beaulac supports "in principle" the grant of an additional one million dollar Ex-Im Bank credit to Paraguay for highway construction. He believes that the additional credit should not be conditioned on a reduction in military expenses in view of the international situation and the successful efforts of the President to purge the army of politics.

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