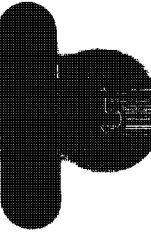


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5 JUN 1946

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## GENERAL

1. Anglo-Yugoslav financial negotiations--The British Treasury has advised Harriman that the UK and Yugoslavia are about to sign agreements relating to monetary exchange (200 dinars to the pound), property and war debts. The only question outstanding concerns "certain assurances" desired by the British regarding treatment of foreign property in Yugoslavia.

The State Department has recently instructed US Embassy Belgrade to attempt again to obtain a diplomatic rate of exchange more favorable than the current "unrealistic" 50 dinars to the dollar.

## EUROPE-AFRICA

2. USSR: Smith urges broadcasts to combat anti-US propaganda--Ambassador Smith reports that "we have no means of combatting" the anti-US propaganda which has "been pushed very hard" in the Moscow press since the Paris Conference. Smith is very disturbed over "the headway" made by such propaganda and recommends a nightly broadcast to the USSR as the only effective way to refute false allegations as they arise.

UNRRA report on Belorussia--The UNRRA Mission to Belorussia, in its first report, notes that (a) German wartime confiscation of horses and tractors is seriously hampering food production; (b) the area is completely dependent on UNRRA for fats and oils; (c) destruction of housing is estimated at more than 80 percent and construction materials are desperately needed; and (d) both officials and the general public are "completely aware" of UNRRA assistance.

3. HUNGARY: Leftist concessions--According to Minister Schoenfeld, leftist concessions, following the ultimatum of Premier Nagy's Smallholders Party (see Daily Summary of 3 June, item 7), are sufficient to permit further negotiations and prevent Nagy's threatened resignation. The Leftists have agreed (a) to hold municipal and county elections in the fall, and (b) to discuss a government reorganization which would give the Smallholders a "proper proportion of positions."

Nagy invited to US--The State Department has invited Premier Nagy to visit the US between 11 and 18 June. Harriman reports that the UK is also agreeable to receiving Nagy, but has not yet specified a date for the visit.

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4. **RUMANIA: Reply to US-UK protests**--The Rumanian Government has given the following reply to the recent US and UK protests against its failure to implement pledges of political freedom and early elections: (a) Rumania has taken "all measures" to ensure the exercise of the public liberties guaranteed by the Moscow decisions, (b) preparations for elections are under way, and (c) the impression that the Rumanian Government is attempting to evade its obligations is the result of "a certain propaganda" which aims to misrepresent the Rumanian Government and "to ignore realities in our country."

**Attempts to compromise US missions**--The US political representative in Bucharest reports that (a) several "independent sources" have hinted that the recent arrests of Rumanians employed by the US [redacted] were designed to secure evidence involving the local US missions with "Rumanian reactionaries planning subversive activities," and (b) according to an informed Rumanian source, documents "which would prove American culpability" have been stolen from the US military mission, photostated, and then returned.

5. **RUMANIA: King explains Groza award**--King Michael has explained to the US political representative in Bucharest that his recent award of the second highest Rumanian civil decoration to Premier Groza was made only after (a) prolonged and intense Soviet pressure, and (b) threats by Rumanian cabinet ministers that, if he failed to make the award, political violence would increase throughout the country, probably culminating in the elimination of the opposition parties and arrest of their leaders.
6. **CZECHOSLOVAKIA: Country is calm after elections**--Ambassador Steinhardt, reporting on the results of the recent elections, comments that (a) the Communists "seem sobered by their responsibility" and are not minimizing the extent of the anti-Communist vote; and (b) the moderates have accepted the vote "philosophically" and are consoled by the Communists' "responsibility" for meeting the serious economic problems expected before the next election in 1948.

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7. **YEMEN:** Implementation of trade treaty with US--The US representative at Sana reports that the Government of Yemen (a) has offered to sell the US 3,000 tons of grain (sorghum), with the prospect of "larger amounts" in the future, and (b) has left no doubt that it wishes to implement as fully as possible its trade agreement with the US.
8. **IRAN:** Anti-"Democrat" activities in Azerbaijan--US Consul Tabriz reports that, according to a "previously reliable source," the Kurds in Azerbaijan have (a) instigated students to agitate against the "Democrats" in Azerbaijan and (b) declared that they would rather be a minority under the central Iranian Government than under a Soviet-supported Azerbaijan regime.

**THE AMERICAS**

9. **ARGENTINA:** Rumored conflict between US War and State Departments--Ambassador Messersmith reports, in connection with General von der Becke's visit to the US, that high Argentine officials have received "improper and unfounded information" that a "strong divergence of opinion and actual conflict" in policy exists between the US War and State Departments. Messersmith believes that if such an opinion gains credence in the Argentine Government it will destroy any US hope for "real performance and collaboration" from Argentina.
- Soviet offer of trucks reported--Messersmith has been unable to obtain confirmation of a rumor that the USSR has offered to sell 10,000 trucks and 10,000 tractors to Argentina. He believes that, while all types of equipment probably are being offered, Argentine officials have no illusions as to Soviet ability to make early deliveries.

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