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Central Intelligence Agency



Washington, D.C. 20505

8 December 2017  
Mr. John Greenewald, Jr.  
27305 W. Live Oak Road  
Suite #1203  
Castaic, CA 91384

Reference: F-2017-02527

Dear Mr. Greenewald:

This is a final response to your 13 September 2017 Freedom of Information Act (FOIA) request for **a copy of the first 20 Presidential Daily Briefs (PDBs) created by the CIA, which began on, or around, February 15, 1946.** We processed your request in accordance with the FOIA, 5 U.S.C. § 552, as amended, and the CIA Information Act, 50 U.S.C. § 3141, as amended.

As we advised you on 25 September 2017, the PDB was not created until 1964. There we further advised that we would search for the first 20 Daily Summary reports, which began on or about 15 February 1946.

We completed a thorough search for records responsive to your request and located 13 documents, consisting of 54 pages, which we determined can be released in their entirety. Copies of the documents are enclosed at Tab A.

We also determined that seven documents, consisting of 32 pages, can be released in segregable form with deletions made on the basis of FOIA exemptions (b)(1), (b)(3), and/or (b)(6). Copies of the documents and an explanation of exemptions are enclosed at Tab B. Exemption (b)(3) pertains to information exempt from disclosure by statute. The relevant statutes are Section 6 of the Central Intelligence Agency Act of 1949, as amended, and Section 102A(i)(1) of the National Security Act of 1947, as amended.

As the CIA Information and Privacy Coordinator, I am the CIA official responsible for this determination. You have the right to appeal this response to the Agency Release Panel, in my care, within 90 days from the date of this letter. Please include the basis of your appeal.

If you have any questions regarding our response, you may contact us at:

Central Intelligence Agency  
Washington, DC 20505  
Information and Privacy Coordinator  
703-613-3007 (Fax)

Please be advised that you may seek dispute resolution services from the CIA's FOIA Public Liaison or from the Office of Government Information Services (OGIS) of the National Archives and Records Administration. OGIS offers mediation services to help resolve disputes between FOIA requesters and Federal agencies. You may reach CIA's FOIA Public Liaison at:

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202-741-5769 (fax)  
ogis@nara.gov

Contacting the CIA's FOIA Public Liaison or OGIS does not affect your right to pursue an administrative appeal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Allison Fong', with a long horizontal flourish extending to the right.

Allison Fong  
Information and Privacy Coordinator

Enclosures

**CONFIDENTIAL**  
**TOP SECRET**#14  
2 March 76

## GENERAL

1. Delivery of US planes to Yugoslavia opposed--Embassy  
Belgrade reports that a high UNRRA official has learned that three C-47's with US crews and mechanics are expected to arrive soon at Belgrade to assist in the training of Yugoslavs. The Embassy is opposed to the delivery of these planes to the Yugoslav Government in view of the latter's refusal to discuss civil aviation proposals and its efforts to force ATC out of Yugoslavia by refusal to clear ATC replacements. Both the Embassy and ATC officials urge that the C-47's be stopped en route to Belgrade pending final decision by the State Department.
2. Aid for Soviet ships in Alaskan area to cease--The Commandant  
of the 17th Naval District (Alaska) has informed the Navy Department that unless otherwise directed he will terminate the issue of fuel, supplies and services to Soviet merchant ships in his area commencing 2 March.
3. Venezia Giulia commission receives instructions--Dunn reports  
from London that the deputies of the Council of Foreign Ministers have agreed on instructions to the investigatory commission for Venezia Giulia. In addition to specifying the areas to be visited, the instructions call for the commission's economic experts to visit Fiume, a point on which the Soviet deputy, Gusev, finally agreed although he still considered the Fiume visit unnecessary. Except for the Soviet member, who is going to Trieste via Moscow, the commissioners will proceed to Paris, leaving there for Trieste on 5 March.

Meanwhile, Kirk in Rome has expressed himself as disturbed that the US is agreeing to limit areas to be visited in Venezia Giulia and adds that unless the commission has sufficient authority to visit any part of the province necessary to arrive at a fair decision, the entire effort will be "a farce the like of which was not tolerated in 1919."

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## EUROPE-AFRICA

4. FRANCE: Ministerial disagreements over policy in Germany--  
In analyzing French opposition to centralization of administration in Germany, Caffery comments that it is now clear that Foreign Minister Bidault rather than DeGaulle was the principal framer of the policy. The Foreign Minister still insists that if a unified Reich is established before settlement of the Ruhr, Rhineland and Saar questions, there will be no chance for French views on these matters to prevail.

Caffery believes that the French Socialist leadership-- while favoring political separation of the Ruhr, Rhineland and Saar--is sincerely opposing the Foreign Ministry's policy of blocking centralization of the rest of Germany. In taking their present position Blum and his associates are, in fact, running the risk of severe criticism from other groups during this critical pre-election period. Gouin has insisted to Bidault that the US is so important to France that some compromise solution must be reached and has rejected Bidault's first set of compromise proposals as not sufficiently modified to satisfy US wishes.

Bidault is now threatening to resign over the issue, while Gouin and Blum are pressing for acceptance of a plan whereby national ministries would be established in Germany to deal with purely administrative and technical matters but would have no direct governmental functions. Such functions would be exercised by an inter-Allied commission.

5. BULGARIA: Soviet Marshal Tolbukhin left Sofia for an unrevealed destination the night of 27 February, according to an official announcement reported by Barnes. The Marshal's present headquarters are at Constanza, Rumania, but he is believed to have advance headquarters in the vicinity of Plovdiv, Bulgaria. Barnes states that most observers in Sofia believe Tolbukhin, who had secretly been in Bulgaria since early February, settled all details concerning Bulgaria's

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part in any future USSR dealings with Turkey, before leaving the capital.

#### FAR EAST

6. KOREA: US support of progressives suggested--The War Department has suggested to CG US Forces in Korea a course of action to counter the application in Korea of current Soviet tactics in Eastern Europe. Included in the plan is the suggestion that General Hodge publicly clarify the measures which the US is taking to facilitate the establishment of a free and independent Korea. The War Department suggests that every effort should be made to find in the US zone a group, neither associated with the Kim Koo group nor the Soviet-dominated groups, which will develop, in line with US aims, a progressive platform to win over those Koreans now drawn to the Communist program.
7. JAPAN: War study--General MacArthur reports that the Japanese Government has named Premier Shidehara chairman of a Japanese War Investigation Commission which is to be charged with studying "the causes and results" of the war.

#### THE AMERICAS

8. ECUADOR: President considering dictatorship--Both Embassy and ALUSNA, Quito, report reliable information that President Velasco is considering a resort to dictatorship with the aid of the Army. According to the Embassy, he is exasperated by the activities of the Tribunal of Guarantees and the Permanent Legislative Committee and feels that he cannot continue to govern without abolishing them.

The Embassy is also reliably informed that Augustin Aguirre, Acting President of the Permanent Legislative Committee, has said that if such an attempt were made he

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would convoke Congress to unseat the President. Aguirre would be Velasco's constitutional successor.

It has been previously reported (Summary No. 13, item 16) that General Enriquez, head of the Army opposition group, might initiate revolutionary activity within thirty days.

Navy states that the USS LITTLE ROCK is scheduled to arrive at Guayaquil on 7 March.

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Sat.  
Feb. 23  
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GENERAL

6

1. Developments in Council of Foreign Ministers--The latest reports from Dunn on the meeting of the deputies at the Council of Foreign Ministers include the following: (a) After further inconclusive discussion of the boundary line in Istria between Italy and Yugoslavia, the deputies decided that the commission of experts should try to establish a line which would define the area for investigation. Dunn does not believe the experts will be able to agree, since they will be faced by the same problems on which the deputies have been unable to agree. (b) Soviet Deputy Gusev is unwilling at this stage to invite Italy to express its general views on the subject of a peace treaty. (c) Gusev's attitude at the Conference suggests that the Soviet Government is not at present interested in the early conclusion of treaties with Italy and the Balkans. Many meetings of the deputies recently have been cancelled at his request. He now states that he will be absent from London for ten days beginning 9 March and does not appear inclined to designate anyone to act in his place.

2. British views regarding the USSR: Ambassador Winant reports that the Foreign Office has the "general impression" that the USSR does not desire a major war in the foreseeable future, but does wish to prepare itself and its people against the possibility of war being forced upon it. The Foreign Office also believes that, in seeking specific objectives, the Soviets will be much more cautious than were the Germans in avoiding provocations which might lead to even local hostilities.

Winant adds that, in the recent debate on foreign affairs in Commons, the theme of "getting along with the USSR" was largely replaced by that of "stand up to Russia." Bevin in his speech was unable to give much comfort to either the "stand-uppers" or the "lie-downers."

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3. Aircraft Carrier MIDWAY and three destroyer plane guards, beginning 1 March, will undertake two weeks of cold weather operations in the northeast Atlantic.

#### EUROPE-AFRICA

4. ITALY: Allied reinforcement of Venezia Giulia urged--As noted in the Summary for 16 February, (a) the Allied Commander in Italy had decided, over the protests of British and US political representatives, to transfer "military maintenance" from Trieste to Venice, and (b) Ambassador Kirk had recommended that the Combined Chiefs of Staff reverse that decision. In a 22 February report, Kirk further recommends that the CCS immediately increase Allied military and naval strength in the Trieste area. He believes that the maintenance of strong Allied military forces during the present interim period is the "best and probably only insurance against postwar aggression in this area."
5. ITALY: Proposed referendum on monarchy and interim regime--Prime Minister De Gasperi informs Kirk that as yet no settlement has been achieved on the projected elections for the Constituent Assembly or on the Assembly's powers once it has been elected. The Government is seeking coalition agreement to the following three-point compromise: (a) election by the Assembly of the President of the Council, who will then nominate his ministers; (b) retention of the Lieutenant General of the Realm for the promulgation of laws; (c) a popular referendum to decide the question of a Monarchy or Republic as the ultimate form of government.

The referendum would be held simultaneously with elections for the Assembly and would submit to public vote both the monarchy question and points (a) and (b) above. In view of his desire to hold elections by late May, De Gasperi urgently asks for the US view on the referendum proposed and on the extent to which retention of the Lieutenant General, even with reduced powers, will provide juridical continuity.

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6. RUMANIA: Government would expel foreign capitalists-- Berry reports that immediately after British recognition of the Groza Government, that Government invoked its "sovereign" rights to demand the early departure of four British businessmen who had recently arrived with ACC clearance. The torn fragments of their applications for residence permits were flung at them with the statement that businessmen from capitalistic countries were not desired in Rumania today.

The British will contend in ACC that, until the conclusion of a peace treaty, the Rumanian Government has no right to expel British subjects present with the consent of ACC. The Soviets have previously maintained that, except for personnel of Allied missions, clearances should be obtained from the Rumanian Government.

7. YUGOSLAVIA: Trade statistics--US Charge Belgrade reports that during the period January - September 1945, Yugoslavia showed an unfavorable trade balance of 494 million dinar, excluding UNRRA shipments (valued at 713 million dinar). The USSR received 70.2 percent of the exports and supplied 54.4 percent of the imports. The only exports to the US were 63 tons of hops and imports from the US (woolens and petroleum products) represented only 6.6 percent of all imports.
8. AUSTRIA: USSR seeks direct settlement of DDGS case with Austria--The Austrian Foreign Minister reports that Soviet representative Kisilev called on him Wednesday to suggest that the Austrians withdraw their communication to the Allied Council concerning Soviet seizure of the Danube Shipping Company (DDGS). Kisilev intimated that local Soviet officials had moved too hastily in the matter and held out hope that Austria and the USSR could solve the question amicably between themselves. He argued that the Austrians openly abandon claims to sovereignty when they appeal to the Allied Council. The Foreign Minister plans to discuss the case further with Chancellor Figl before making any decision.

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9. BULGARIA: Reported aircraft arrivals--ACC Bulgaria believes that the aircraft reported by General Schuyler to have flown over Constanza on 12 February are now in the Plovdiv area. These aircraft may have come to Bulgaria for the celebration of Red Army Day on 23 February.

## FAR EAST

10. JAPAN: Imminent exhaustion of food stocks--MacArthur estimates that exhaustion of government food stocks will reduce the average daily intake of urban Japanese to 471 calories for the months of May to September inclusive, with serious deficiencies developing in April. The US fulfillment of food requirements previously recommended by him would raise the figure to 1239 calories, which would still be substantially below the proposed minimum requirement of 1550 calories. He believes that the failure of the US to provide staple foods, at least in the quantities already requested by him, would result in starvation, widespread disease, and "uprisings of a major character," which the currently projected occupation force might be unable to handle.
11. N.E.I.: US limitation on use of transport facilities--The War Department has notified the Commanding Generals of US Forces in China and in India-Burma that it is against State Department policy to use American vessels or aircraft to transport either (a) British, French and Netherlands troops to or from the NEI or French Indochina, or (b) arms, munitions or equipment to the NEI or French Indochina for military use in those areas. The State Department interpretation of the word "troops" allows transportation of individual officers and men of British, French or Netherlands nationalities with their personal equipment and baggage.
12. INDIA: Mutiny ends--The CG IBT, New Delhi, reports that the Bombay mutineers surrendered unconditionally on 23 February. The civilian situation is also reported under control as a result of strict curfew enforcement and strong patrols of military in tanks and armored cars. Karachi and Calcutta both are currently reported quiet.

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## THE AMERICAS

13. ARGENTINA: US position--Ambassador Berle reported recently that Brazil wishes to follow the US lead regarding Argentina. Secretary Byrnes has now told Berle to express US appreciation and to inform the Brazilian Foreign Office that the US position is as follows: (a) The Blue Book fully justifies the US refusal to sign a mutual assistance pact with a Peron-controlled Government. (b) The US believes that the other Republics, after analyzing the Blue Book, will take the same position. (c) The US position will not be affected if Peron is elected President. (d) It is of greatest importance that, if Peron is elected, a substantial majority of the Republics jointly declare their lack of confidence in his Government and subsequently conclude a mutual assistance pact (excluding Argentina) at Rio. Postponement of the Rio meeting must be avoided; noncooperation by one Republic must not block achievement by the other twenty.
14. ARGENTINA: Soviet trade mission--Earlier this month the Soviets requested US transit visas for a trade delegation going to Buenos Aires. Ambassador Berle now suggests that the US release that news after the Argentine elections, since the sending of a mission following publication of the Blue Book would justify the conclusion that Soviet policy is designed to weaken the UK, and possibly the US.
15. DOMINICAN REPUBLIC: Plot against Trujillo--Embassy Caracas has been told by a "reliable contact" of a plot to assassinate President Trujillo sometime between 24 February and 8 March. Exiled Dominicans in Caracas are said to be planning a revolutionary government to succeed him.

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GENERAL

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1. Danish atom expert declines to visit USSR--The assistant US Military Attache in Stockholm reports that Professor Bohr, the Danish scientist and expert on atomic fission, recently was invited through scientific channels to visit the Soviet Union, but has declined.
2. British ask information on Manchuria--Ambassador Winant reports that the Foreign Office has asked for US information on Soviet intentions in Manchuria, since the Foreign Office wishes to decide on a policy for that area, particularly as to whether it may be necessary "to show our teeth."
3. USSR misrepresenting its attitude towards Italian peace treaty--Dunn notes that Vyshinski recently stated to an Italian representative that the USSR was trying to be helpful to Italy in connection with the peace treaty between that country and the Allies, and that similar intimations had been published in the Italian leftist press. Dunn believes that this appearance of friendliness to Italy is being presented for the purpose of influencing the coming Italian elections. He observes no indication whatever of such a Soviet attitude at the treaty discussions among the deputies of the Council of Foreign Ministers. Dunn cites (a) Soviet demands for a single trusteeship of Tripolitania and for reparations, (b) the difficulties the Soviets create in connection with proposed investigations in Istria by the Allied Boundary Commission, and (c) the statement by Soviet Deputy Gusev that Italy must be regarded as a defeated enemy.

## EUROPE-AFRICA

4. BULGARIA: Non-fulfillment of armistice terms--The US Delegation, ACC, Bulgaria, reports that the Soviets are reluctant to enforce the armistice agreement with regard to the restitution of property and reparations in the form of food deliveries. The USSR continuously places the burden of proof in these matters on the US and UK ACC delegations rather than on the Bulgarian Government. Furthermore, the USSR exerts no pressure on the Bulgarians in the matter of food reparations, particularly to Greece, and at the same time pursues a course which prevents

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the UK or US representatives from so doing. The British Foreign Office has notified Ambassador Winant that the UK is considering taking up vigorously with the USSR the question of Bulgarian reparations to Greece, on the grounds that direct responsibility for Bulgarian fulfillment of its obligations lies with the Soviet Government.

5. FRANCE: Leon Ekm will leave by air for the US on 26 February, according to the French Foreign Office. The remainder of the delegation will leave on 1 March and will be ready to begin discussions on a proposed US loan on March 4 or 5.
6. GERMANY: Opening of breweries postponed--OMGUS has postponed the opening of German breweries in the US zone for fear of unfavorable American reaction in view of the recent Presidential order drastically restricting the production of grain alcohol in the US. OMGUS, however, believes that the advantages of allowing the breweries to open more than compensate for the release of 39,000 tons of barley (the equivalent of 10 days bread ration) needed for one year's production of beer.
7. CZECHOSLOVAKIA: Czech Air Force purchases--The MA at Prague reports that, although the Czechs recently received 50 tactical planes from the Soviets, the trend in equipment and organization of the Czech Air Force is non-Soviet. The Czechs are now negotiating the purchase of Mosquito bombers from the British.
8. SWEDEN: Swedes reject British air pact--The Swedish Government rejected a British air agreement which would divide traffic to Great Britain on a 50-50 basis. Minister Johnson summarizes the situation by quoting the following remark made by a UK delegate to a Swedish official: "We realize you cannot accept our terms but our lack of commercial planes, etc., makes it impossible for us to offer better ones; we must bluff our way through the next year or two until we are in a position to compete with you and the Americans."

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9. ITALY: Yugoslav activities in Venezia Giulia--Embassy Rome summarizes military reports of the situation in Venezia Giulia as follows: (a) Propaganda in the local Communist press and Radio Belgrade against reactionaries and Polish troops in Italy has been maintained at a high pitch. The alleged threat to peace may be used as an excuse for the considerable reinforcement of the Yugoslav zone in Venezia Giulia. (b) Recently arrived Yugoslav troops are telling the inhabitants that they have come to seize Trieste. This may be merely propaganda to intimidate the population, but it is widely believed in both zones. (c) The Yugoslavs now have some ten divisions in Venezia Giulia, concentrated toward Trieste, and could intervene militarily west of the Morgan line with little or no warning.
10. RUMANIA: Reported military movements--General Schuyler transmits the report of a reliable observer that on 12 February at 8:25 P.M. "several hundred" planes flew in from the north, passed over Constanza and headed south down the Black Sea coast towards Bulgaria. Aircraft navigation lights were on, but markings were not observable. Types were not specified.

Another reliable source reports that during the week of 4 February orders were issued for the evacuation of all Rumanian munitions now stored in 14 forts in the Bucharest area so that Soviet munitions could be stored in these forts.

## FAR EAST

11. INDOCHINA: French intentions regarding Tonkin--Bidault has informed Caffery that the French Government has decided to back to the limit the conciliatory policy proposed by D'Argenlieu with respect to Indochina, which would meet the Annamese "more than half way." The Navy, however, has very reliable information that the French are likely to begin occupation of northern Indochina by force on 25 February, local time. The French plans are reported to include airborne and amphibious landings, as well as an overland advance and naval demonstrations. Annamese armed resistance is expected. (See

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Summary No. 6, item 13.)

12. N.E.I.: Dutch to relieve British troops--Consul General Batavia reports that General Dempsey has agreed that some time after Sjahrir's return to Batavia, a Dutch unit now waiting in Malaya will relieve a British brigade. Van Mook and British General Stopford are discussing whether General Dempsey has the authority to order important troop movements in N.E.I. without reference to JCS. Sjahrir is due back on 23 February from Djocja where he went to present the Dutch proposals for Indonesian decision.
  
13. INDIA: Continuing disorders--The US Mission reports the confinement of striking naval personnel in Bombay by troops of the Indian Army and believes that the Royal Indian Navy will be unable to continue functioning as an effective organization. According to CG IBT, mob demonstrations have occurred throughout India; and the naval mutiny has spread to Karachi, with a call for a similar strike at Calcutta.

The US Military Observer at New Delhi ascribes the rioting to self-seekers and "hoodlums" without political aims.

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16 Feb 1946

EUROPE **CONFIDENTIAL**

1. AUSTRIA: Treatment of German assets--Embassy London reports that the British Foreign Office has submitted to the US and French Missions memoranda proposing a formula for the treatment of German assets in Austria, with a view to later submission to the USSR. The memoranda propose that (a) measures already taken against German assets in Austria constitute full satisfaction of reparation claims against such assets, (b) further removals of such assets as reparations be discontinued, and (c) the Austrian Government be required to examine the title of ownership of all German assets remaining in Austria and to take such action as might be required.
2. ITALY: Military maintenance scheduled to be withdrawn from Trieste-- Ambassador Kirk reports that on 14 February General Morgan (Allied Commander in Italy) announced his decision to transfer "military maintenance from Trieste to Venice as of 1 April. Morgan has thereby reversed his position of 22 November; he justifies withdrawal now on the grounds of (a) British demobilization and (b) the unlikelihood of "serious repercussions". His decision was made over the protest of US and British political representatives, who are of the opinion that the present delicate situation in Venezia Giulia will become more critical in the next few months and should not be further disturbed by any suggestion of Allied military withdrawal from Trieste. Kirk recommends that the Combined Chiefs of Staff reverse Morgan's decision, and advises that the British representative is making a similar recommendation to the Foreign Office.
3. SPAIN: UK will not withdraw Ambassador--Embassy London has been informed that, despite demands in Parliament and the press that the British Ambassador be withdrawn from Madrid as a sign of displeasure, the Foreign Office considers it important that he remain there until the results of Don Juan's visit to Lisbon are known.

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4. EGYPT: Cabinet change--Despite Cabinet changes and the intensity of recent student demonstrations, Legation Cairo reports that local anti-British sentiment is not as widespread or bitter as in 1919 or the middle 1930's and that any Cabinet change will be the result of internal intrigues and unbalanced representation rather than mass anti-government sentiment.

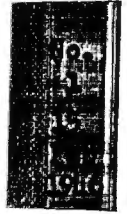
#### FAR EAST

5. JAPAN: USSR requests division of Japanese shipping-- Embassy Moscow reports that the Soviet Foreign Office has requested immediate transfer of one fourth of the Japanese naval fleet to the USSR and early division of the Japanese merchant fleet among the USSR, UK, US and China. The Soviets argue that the use of these ships for repatriation of Japanese and other purposes connected with the Japanese surrender should be discussed after the division has been effected. In connection on the Soviet note, Embassy Moscow points out that the Soviets are now operating 113 Lend-Lease vessels for their own purposes, and have not replied to inquiries regarding Japanese shipping captured by them. In view of the fact that SCAP has the greatest need for shipping in implementation of the surrender, the Embassy suggests that the USSR be asked to what extent it would be willing to divert Soviet shipping for such purposes, in the event of a division of the Japanese fleet.
6. KOREA: Publicity on Seoul Conference--Gen. Hodge advises against releasing a full statement of Conference actions to the US or the Koreans. He would prefer such publicity "as a means of pressure in the future," after the Soviet commander has finally approved the agreement.

#### THE AMERICAS

7. Reaction to Blue Book on Argentina--US Embassies in Latin America report that press reaction to the Blue Book is generally favorable in Brazil, Chile, Columbia, Ecuador, Paraguay, Peru and Uruguay. In Cuba, however, there was considerable unfavorable press comment, though the most important paper strongly endorsed the Book. Embassy Peru reports that the Peruvian Foreign Minister has asked whether the US would give Peru economic aid, if relations with Argentina were severed and Argentine exports were shut off.

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# 1  
15 Feb. 1946

**CONFIDENTIAL**

GENERAL

1. Secret Yalta and Tehran Agreements for Sale in Paris--The Paris Embassy reports that alleged secret agreements between the US and the USSR at Yalta and Tehran have been offered for sale in Paris by agents of "some Russians" in Switzerland, and that a French and a Swiss newspaper are considering their publication. Ambassador Caffery has secured some of these "agreements" (there are said to be eleven of them), about which he reports the following:

a. In one Tehran "agreement" the US promised to supply the USSR with a \$10 billion credit in return for a Soviet commitment to support our proposals for facilitating world trade, fair distribution of raw materials, and the regulation of international currency.

b. In one Yalta "agreement", allegedly signed by Hopkins and Molotov, the US recognized a Soviet claim of free access to the Mediterranean in return for a Soviet agreement (1) to recognize the absolute independence of Austria, Hungary, Czechoslovakia, Rumania, Bulgaria and Yugoslavia and (2) to renounce any agreements with those countries giving the Soviets a preferred position.

c. Another Yalta "agreement" covered the Soviet use of German prisoners and Soviet acquisition of German industrial machinery for reconstruction in the USSR.

In addition, the Embassy reports that these agents are also said to be offering (a) secret Soviet agreements with Syria and Lebanon and (b) a treaty between Iraq and Transjordan.

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2. GERMANY: Discontinuance of relief for displaced persons in US Zone--The War Department has authorized Gen. McNarney to announce by 1 March the discontinuance of relief by 1 July for all displaced persons in the US Zone in Germany. An exception will be made, however, for those persons who are unwilling to be repatriated because of possible persecution on the grounds of race, religion, etc. Those desiring repatriation will be moved out by 1 July.
3. TURKEY: USSR willing to wait for solution of Turkish "problem"--In conversation with the Turkish Acting Foreign Minister, as reported by Embassy Ankara, Soviet Ambassador Vinogradov has stated that "we waited a long time regarding the arrangement we wanted with Poland and finally got it; we can wait regarding Turkey." He said that for a reestablishment of friendly relations between the two countries, a solution of the USSR's claims regarding the eastern provinces of Turkey was important, but the question of the Straits was "vital". Asked what the Soviet requirements regarding the Straits were, Vinogradov replied that the USSR (a) must have an adequate guarantee (b) that the security of the Soviet Union will not be endangered, (c) that a sovereign and friendly Turkey at the Straits would not be adequate for the defense of the Straits, and (d) that Soviet use of bases in the Straits when the need arose would be essential.
4. YUGOSLAVIA: Anti-AMG propoganda in Venezia Giulia--Military authorities in Venezia Giulia report that Communist press attacks on the Allied Military Government are mounting, probably in an effort to obtain UNO examination of Allied actions in Venezia Giulia. The authorities also report reinforcements of Yugoslav troops in the Yugoslav zone of the province, apparently in order to apply pressure on the local population during the visit of the Council of Foreign Ministers' Commission.

FAR EAST

5. CHINA: US moves Chinese armies--CG, Chinese Theatre reports that five Chinese armies and 18,000 service troops are being moved north by him for occupation of Manchuria. In addition to moving this force, he is supplying them with 250,000 sets of US winter clothing.
6. FRENCH INDOCHINA: Proposed Sino-French agreement--The Chinese Foreign Office has informed Embassy Chungking that negotiations with France concerning Indochina are in the final stage. Principal provisions of the proposed agreement include: (a) withdrawal of Chinese troops, (b) upholding of prewar Chinese rights, (c) freedom of transportation on the Yunnan-Indochina Railway, and elimination of duties through Haiphong.

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GENERAL

1. Gusev to remain in London--Gusev, Soviet deputy on the Council of Foreign Ministers, has told Dunn that he will not return to Moscow as his Government now "considers it very important to get on with this treaty preparation."

## EUROPE-AFRICA

2. USSR: Merger of armed forces--Embassy Moscow's Joint Working Committee has prepared the following preliminary evaluation of the establishment of the People's Commissariat for Armed Forces: This is in line with Stalin's point of view that the services should be combined so as to obtain the coordination dictated by the Soviet's experiences in the war. Stalin's appointment as head of the Commissariat is to emphasize that military affairs continue to be of primary importance in Soviet life and that the Communist party will countenance no bid of the military for independent power.
3. SPAIN: Tripartite declaration unlikely to affect regime--Embassy Madrid considers that the US-UK-French declaration on Spain is not likely to "stimulate action within Spain for an orderly change in the present regime." The Embassy points out that the Spanish people have long been aware of Franco's identification with the Axis, but are thankful that they were spared from actual involvement in the war, regardless of "methods or circumstances."
4. SPAIN: British to try to dissuade French from UNO action--Embassy London reports that the British Embassy Paris has been instructed to attempt to dissuade the French from their proposed intention to bring the Spanish question before the Security Council.

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5. IRAN: Qavam to leave Moscow--Prime Minister Qavam has told Kennan that he has been unable to reach any understanding with the Soviets and will leave for Tehran on 5 March. He stated that the Soviets justified the retention of troops in Iran on the grounds that a recent high member of the Iranian Government had, during the Paris Peace Conference in 1919, raised the question of the cession to Iran of Soviet territory. Qavam said that on 4 March he would formally protest to the USSR the continued presence of Red troops in Iran and asked Kennan what action was planned by the US. Kennan replied that if the question were returned to the Security Council, the US Government would do everything in its power to see that the issue was resolved in conformity with the principles of the United Nations Charter.
  
6. GREECE: Informal Soviet request for Dodecanese base--The Greek Foreign Minister has told Acting Charge Rankin that Soviet Ambassador Rodionov, in connection with Soviet food shipments to Greece, "personally wondered" whether it would not be desirable for Greece to "allocate" to the USSR a Greek island - possibly in the Dodecanese - for the supply and repair of Soviet ships in connection with the proposed trade. The Greek reply was negative. The Foreign Minister pointed out that existing Greek repair facilities are at Soviet disposal and that the disposition of the Dodecanese was a matter for international consideration.
  
7. AUSTRIA: US protests Soviet land request--The War Department has relayed to General Clark for presentation to the Allied Council in Vienna a protest from the State Department concerning the Soviet request for 27,000 hectares (about 65,000 acres) of Austrian land for use by the Red Army. This request is viewed by the US as seriously endangering the whole process of four-power cooperation in Austria, since it is considered contrary to the agreed procedure of utilizing AC machinery to deal with all questions affecting Austria as a whole. The US considers the Soviet request a requisition on the whole Austrian food supply which undermines the Allied objective of establishing

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an independent and economically secure Austria. The US (as chief contributor to UNRRA) cannot agree to the proposed program of pooling all food resources in Austria and supplementing them from UNRRA stocks, if the Red Army maintains its present numerical strength in the country and removes arable land from production. Unless the US has immediate assurance that the Red Army will substantially reduce its occupation forces and that no land will be withdrawn from Austrian production except by AC agreement, the US will: (a) instruct the US member of the UNRRA Central Committee to oppose the new program for Austria now under consideration; (b) immediately propose to the French and UK Governments formulation of a tripartite agreement on resources involving the three Western Zones only; and (c) will publicly announce that uniform UNRRA relief throughout Austria has been made impossible by Soviet action.

8. BULGARIA: No commitments to USSR: According to Barnes, Foreign Minister Stainov has stated categorically to a close friend that the Bulgarian Government made no political or military commitments to the USSR during the visit of three Cabinet Ministers to Moscow in January or during the recent visit of Tolbukhin to Sofia. Stainov added that the Soviets require no such commitment, as they plan to keep the Red Army in Bulgaria for "years to come".

## FAR EAST

9. JAPAN: March shipment of foodstuffs inadequate--General MacArthur regards the shipment of 40,000 tons of foodstuffs from the US during March as inadequate to prevent famine in Japan. Since 94 percent of pre-war Japanese food imports came from Pacific areas, he urges that every effort be made now to provide supplies from Australia, Siam, Indochina and Pacific areas with food surpluses.
10. CHINA: Tsingtao proposed as principal fleet base--Admiral Cooke reports that surveys just completed indicate the

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desirability of establishing Tsingtao as the principal Seventh Fleet base of operations in China.

11. CHINA: Air Force equipment sale to China authorized--The sale to China of 2,000 tons of Air Force equipment now in India has been authorized by the War and State Departments and the Foreign Liquidation Commission. This material will be shipped to China, declared surplus and sold to the Chinese Government by the FLC.
  
12. SOUTHEAST ASIA: MacArthur opposes US mission to Singapore--General MacArthur has reported to the War Department that he does not favor the assignment of a military liaison mission to the proposed new and smaller British headquarters at Singapore which would replace Supreme Allied Command of Southeast Asia. He believes it "most undesirable . . . to continue any semblance of American responsibility for military action in this British sphere of activity."

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28 Feb 46

GENERAL

- 1. Slow progress in drafting Italian peace treaty--Dunn reports that the committee drafting the Italian peace treaty at the Council of Foreign Ministers has so far agreed only on the preamble and two articles. Both of those articles relate to Italian prisoners of war, and the Soviet delegation has reserved the right to challenge one of them later.

The State Department considers that a treaty drawn up on the basis of the present divergent views among the powers concerned would be harsher than any one of those powers wishes imposed upon Italy. To avoid further delays and to insure a just and lasting settlement, the Department has instructed Dunn to propose to the Allied delegations that "each power recede from the demands and restrictions [which] it wants imposed on Italy, in order that through compromise there may be a settlement to the best interest of all."

EUROPE-AFRICA

- 2. AUSTRIA: Soviet policy--Erhardt and General Clark in separate reports have commented at length on concerted Soviet efforts to bring Austria completely within the Soviet commercial orbit by weakening the country's economy and blocking all attempts to foster Austrian trade with the West.

Erhardt reports that the following fundamentals of Soviet policy in Austria have been consistently apparent in all recent inter-Allied meetings: (a) exclusive Soviet control of the Danube; (b) outright seizure of German property in eastern Austria with no regulation by the Austrian Government or the Allied Council; and (c) exclusive Soviet control of trade and other relations with Soviet-occupied or dominated countries. He points out that in all three instances time is working on the side of the Soviets. Erhardt concludes that only action between the Allied Governments affecting the disposition of former German assets, reduction of Soviet occupation forces, and Soviet penetration into Austria's economy and Danubian trade can decide whether Austria is to be

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an independent democracy or a Soviet satellite.

General Clark agrees with Erhardt's survey and states that his own efforts in the Allied Council to facilitate Austria's economic recovery have been blocked by veto action on the part of the Soviet representative. In addition, he reports that Soviet occupation forces in Austria are estimated at 130,000, while US troops number only 32,000 and by 1 April will be reduced to 12,000. The Soviets have refused to discuss any reduction of their forces, the support of which imposes a heavy financial burden on Austria.

3. HUNGARY: USSR industrial agreements--Schoenfeld reports increasing Soviet pressure to force Hungary to accept joint USSR-Hungarian-owned corporations so as to facilitate Soviet control of the Hungarian economy. Despite opposition by business interests, Schoenfeld expects early Hungarian acceptance of most of the Soviet proposals in the hope of appeasing Voroshilov and thereby obtaining authority to issue million pengo denomination currency and Soviet consideration of the Government's reparations proposals. Schoenfeld believes that favorable non-communist press reaction to the US offer of a \$10,000,000 loan may have influenced the Prime Minister to ask the press to avoid a pro-Anglo-Saxon slant in view of the important economic discussions now pending with the Soviets.
4. YUGOSLAVIA: Comments on Venezia Giulia troop movements--AFHQ discounts Marshal Tito's explanation to the British Ambassador at Belgrade that recent Yugoslav troop movements into Venezia Giulia were merely to bring the four divisions in Zone B up to full strength. AFHQ points out that: (a) the speed and organization of the movements give the impression of a carefully planned operational move; (b) the new forces do not appear to be merging into the framework of units already in Zone B; and (c) the new forces include an armored division and a tank brigade, which AFHQ does not believe will be disbanded simply to furnish replacements.

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5. SPAIN: France requests UNO action--Embassy Paris has received a note from Bidault requesting that the US associate itself with France in submitting the Spanish situation to the Security Council. A similar approach has been made to the British and Soviet Governments. Embassy London reports that the British Foreign Office regrets France's decision, fearing that Franco's position within Spain will be strengthened by Moscow's entry into the picture.
  
6. LEVANT STATES: Withdrawal of UK troops promised--Embassy London reports that the UK has delivered a note to the Syrian and Lebanese Governments stating that in view of British acceptance of the majority opinion of the Security Council, the UK no longer considers itself bound by its 15 December assurance that British troops would not be withdrawn from Syria and Lebanon as long as French troops remained. The British will send a representative to Paris, however, to urge simultaneous action with the French. If unsuccessful, British forces will still be withdrawn.

## FAR EAST

7. JAPAN: JCS orders Japanese warships destroyed--JCS has directed General MacArthur to destroy all Japanese combat vessels, with the exception of destroyers and surface vessels of lesser tonnage. However, JCS has authorized General MacArthur to use temporarily for repatriation and other duties the vessels to be destroyed and has directed him to transfer vessels to be used for experiments or as targets to the US services requiring them.
  
8. CHINA: China Theater inactivation date questioned--General Eisenhower requests more information from General Wedemeyer in order to assure the War, State and Navy Departments that 1 May is not a premature date for inactivating the China Theater. He asks whether operational functions to be carried out subsequent to an announced date of inactivation would nullify the benefits to be derived from inactivation. The State Department has concurred in setting up the military Advisory Group with

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the understanding that it would confine itself to advice to the Chinese military and assistance in training matters.

9. CHINA: Limited initial reoccupation of Manchuria--Embassy Chungking reports that Chinese reoccupation of Manchuria will be confined to those areas in Manchuria not under Soviet control, pending further Sino-Soviet negotiations.
10. INDIA: British view on Bombay riots--The War Office, in reply to an inquiry by the US Military Attache in London as to its views on the Bombay riots, has stated that the leaders of both the Congress Party and Moslem League cooperated in condemning and attempting to stop civil disturbances, while the Communist Party thanked the public for its support. Individual British officials have told the MA privately of their belief that the Indian Communists receive orders from Moscow. The MA comments that Soviet policy apparently aims to foment discord and native violence in British-controlled areas as a means of extending Soviet influence.
11. N.E.I.: Clark Kerr pessimistic over negotiations--Consul General Foote reports that Clark Kerr is most pessimistic with regard to the Dutch-Indonesian negotiations. Clark Kerr fears that the Indonesian National Committee will refuse to continue discussions unless the Dutch proposals are modified and that Sjahrir will be replaced by Soebardjo, with whom the Dutch say they will not negotiate. In Clark Kerr's opinion, the Indonesians will gain by stalling, since the British will not fight them and the Dutch cannot.
12. SEVENTH FLEET: Merchant ship requested for mission to Dairen--At the instruction of General Marshall, the Consul General Shanghai has requested that Admiral Cooke provide a merchant-type vessel for transporting Consul General Sturgeon to Dairen, (See Summary of 26 February)

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## THE AMERICAS

13. BRAZIL: Domestic and foreign prospects--Prior to relinquishing his post in Rio on 27 February, Ambassador Berle set forth his estimate of the probable course of Brazilian developments during the coming months. He reported that the political situation is stable for the time being, and the political outlook is promising. Dutra's Government party and Gomes' opposition party are working well together in the Government, and both will cooperate against obstructionist tactics by the Communist group, whose influence seems to be waning because of its foreign policy. Vargas' importance diminishes daily. The Army is out of politics and enjoying the prestige gained by its decision not to intervene except to guarantee elections.

In foreign affairs, Brazil's first concern is with the struggle between the USSR and the US and UK. Any Brazilian Government, other than a communist one, will do everything it can to strengthen cooperation with the US. Of secondary concern is the Argentine question; Brazil's bread basket is being cut off by Argentine tactics, and Brazil fears that Argentina may become a bridgehead for Soviet maneuvers.

14. URUGUAY: Status of Graf Spee internees--The State Department has advised Embassy Montevideo that it still regards the Graf Spee internees legally as prisoners of war whom Uruguay is obligated to return to Germany.

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## GENERAL

1. US views on administration of Trieste--The State Department has informed the US delegation negotiating the Italian Peace Treaty in London that it prefers administration of the Free Port of Trieste by a national authority, supervised by an international body composed only of representatives of those countries "immediately interested": Italy, Yugoslavia, Austria, Czechoslovakia and Hungary. The International Commission should be under supervision of the Economic and Social Council of the UNO, through which the US can exercise its influence.
2. Soviet views on Italian treaty--In a general discussion with Dunn regarding the US position on revision of the Italian Armistice and the progress towards drafting an Italian peace treaty, the Italian Ambassador to London on 25 February confirmed that Vyshinsky had told him that (a) the USSR still desires a trusteeship over Tripolitania, "although under other conditions other solutions might be considered;" (b) Tito would not receive everything he asked for in the Trieste area; (c) Vyshinsky did not favor the cession of South Tyrol to Austria.

The Ambassador interpreted Vyshinsky's remarks on Tripolitania as an indication that the Soviets regard the questions of the Straits and the Dodecanese as relevant to the mandate for Tripolitania.

According to Winant, a Soviet counselor in London recently told a member of the French Foreign Office that if France desires territorial concessions from Italy, it should approve Soviet policy relating to the Italo-Yugoslav frontier.

3. Allied forces trained in Britain returning home--Embassy London reports that the training in British military centers of air force and army detachments from Norway, Denmark, Netherlands and Belgium is nearing completion and that the units will be returning soon to their home countries where they are to form the nuclei of new national armies. This development is regarded as both politically and militarily significant in London, where it is hoped that the new armies in Western

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Europe will be organized and equipped on the British model and that a large number of the key personnel therein will be acquainted with British military thought.

4. Future use of US surplus airports to be negotiated--The Air Coordinating Committee (representing the State, War, Navy and Commerce Departments and the Civil Aeronautics Board) has decided that the State Department should try to obtain assurances from foreign governments that US civil aircraft will be permitted to use, on a non-discriminatory basis, US surplus airports when they are returned to the foreign countries in which they are located.

In view of the imminent departure of US forces from India, Embassy New Delhi has been instructed to obtain such assurances with respect to US airports in India.

5. USS MISSOURI mission pleases Turks--The Navy reports that the battleship MISSOURI accompanied by the destroyer POWER will arrive at Istanbul on 5 April. After leaving Turkey, the warships will visit Alexandria, Piraeus, Naples, Gibraltar and Tangier. Embassy Ankara reports that the Turkish Government deeply appreciates the US proposal to send home the remains of its late Ambassador aboard such an important unit of the US fleet. It considers that this action reflects "the friendship of the US Government for Turkey."

#### EUROPE-AFRICA

6. ITALY: US reaction to Soviet propaganda on Italian treaty--The State Department in reply to recent comments by Dunn that the Soviets are misrepresenting to the Italians their attitude on the Italian peace treaty, states that it agrees with Dunn that the Soviet motive, in part, is to influence the Italian elections. The Department points out, however, that: (a) the Italian Government is accurately informed regarding the Soviet attitude on reparations, Venezia Giulia and colonial questions; (b) the US is considering measures to correct any misapprehension on the part of the Italian people; (c) the Soviets can make a good case for

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their support of Italy in opposing French and Austrian claims as well as proposed military and economic clauses; and (d) the UK and US attitudes on some provisions of the treaty will not be popular with the Italian people.

7. POLAND: Soviet control of air force and airline--MA Warsaw reports that the chief of the Polish Air Force is Soviet General Polynin. All key personnel in the Polish Air Force are from the USSR and exercise complete control over all training and operational units. No Polish pilot is allowed to fly without a Soviet pilot aboard. Similarly, aircraft of the now nationalized Polish airline are manned by Polish crews but carry a Soviet control officer. Polish Marshal Zylieski has explained these conditions as necessitated by a complete lack of trained Polish personnel, but the US Military Attache points out that many experienced former air force officers are now civilians because of their affiliations with the former government.
8. POLAND: Opposition to "bloc" elections--Ambassador Lane makes the following observations and recommendations regarding the forthcoming elections in Poland:

(a) Mikolajczyk is opposed to joining the electoral bloc for fear of losing his reputation for political integrity. Lane believes that he will not join it, but that pending a final decision he is bargaining for terms with the Government.

(b) The Government and the Soviets would not oppose Mikolajczyk's campaigning on a separate list because it would enable them to brand him as representing "Fascist interests" and as being more interested in the US and the UK than in Poland.

(c) The Soviets have declared that a starving people cannot vote intelligently and that therefore the UNRRA decision to reduce wheat shipments will further delay the elections. Furthermore, the Government and the USSR will not hesitate to use the UNRRA decision to discredit both the US and Mikolajczyk.

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(d) Although a firm stand by the US in favor of a free and representative election would ease the now strained US-USSR relations in Poland, Lane believes that any public statement should wait until Mikolajczyk has made a definite decision as to whether to join the electoral bloc.

9. RUMANIA: Reported Soviet troop movements--Concurrently with the official announcement of Marshal Tolbukhin's presence in Bulgaria, General Schuyler reports that he has been informed by a "reliable" source of extensive Soviet troop movements through Constanza, Rumania, apparently en route to Bulgaria.
10. HUNGARY: USSR forbids currency issue--Finance Minister Gordon has told Schoenfeld that Voroshilov had denied Gordon's request for authority to issue million pengo notes. Without these notes the Hungarian Treasury will be unable to meet payroll requirements at factories working for reparations account. When warned of possible workers' unrest or revolt, Voroshilov replied: "So long as I sit here there will be no revolution."
11. CZECHOSLOVAKIA: "Document" incident emboldens Communists--President Benes has told Ambassador Steinhardt that the "document" incident has emboldened the Communist members of the Cabinet and is a handicap to moderate elements struggling to release the country from eastern domination. Steinhardt has arranged for the immediate release of the three Americans captured during the raid.
12. TRANS-JORDAN: Proposed treaty of independence--The Chief of the Eastern Department of the UK Foreign Office has told Winant that the proposed treaty granting independence to Trans-Jordan would: (a) be similar to that with Iraq and non-discriminatory in character; (b) constitute a treaty of alliance; (c) provide for the right to maintain British troops in the country; and (d) possibly necessitate British financial assistance.

FAR EAST

13. CHINA: Chinese shipping control agency proposed--Admiral Cooke suggests establishing an agency to meet the immediate need for taking over, manning and operating ships for UNRRA

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purposes. He anticipates that this shipping task will be passed to the US Navy and believes that the Chinese Government should set up the controlling agency with an American nucleus and head.

14. INDOCHINA: French request for ammunition refused--On State Department advice, the War Department has notified MacArthur that the US cannot supply General LeClerc with ammunition to replace the quantity previously obtained by the French and lost at sea.

Coalition cabinet planned--The State Department representative in Hanoi quotes "President" Ho Chi Minh as stating that the pressure exerted by the Annamese Kuomintang will result in the formation of a coalition cabinet when the Annamese Assembly convenes on 3 March. The Vice President will be drawn from the Annamese Kuomintang and the President from the Viet Minh Party, of which Ho Chi Minh is the leader. Each of the two groups will hold four of the ten ministries.

USSR demands Chinese withdraw--The Chinese have informed the State Department's representative in Hanoi that the USSR is demanding that they withdraw their forces from Indochina and Formosa before the Soviet forces are withdrawn from Manchuria. The Chinese view this demand as an effort to cultivate the leftist French element and to establish in Indochina a new sphere of Soviet influence in the Far East.

Projected withdrawal of Chinese--CG China Theater reports that the Chinese Board of Military Operations has asked the US Chungking Liaison Group for its comments on a proposed withdrawal between 1 and 15 March of the Chinese forces in northern Indochina and the transfer of their duties to the French.

15. CHINA: Resumption of internal hostilities anticipated--General Wedemeyer reports that several "reliable" sources have indicated that 500 Nationalist generals are meeting in Nanking and have discussed Sino-Soviet relations in Manchuria and the possible resumption of internal warfare. The Kuomintang non-compromise faction headed by General Ho Ying-chin is attempting to sabotage the decisions of the Political Consultative Council

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and, later, take decisive action against the Chinese Communist Party.

16. USSR: Malinovsky's command--MA Moscow reports several indications that Marshal Malinovsky still is Commander in Chief of Soviet Far Eastern Forces.

THE AMERICAS

17. FRENCH GUIANA: Riot quelled--CG Antilles Department reports that the emergency created on 26 February by a riot of 160 Senegalese troops in Cayenne ended the same day. The rioters have been loaded aboard a French ship, and the incident is considered closed.

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## GENERAL

1. USS MISSOURI to take body of Turkish envoy home--The remains of Munir Ertegun, former Turkish Ambassador to the US, have been temporarily interred here since his death last year. If diplomatic arrangements are concluded, Ertegun's body will be returned early in April to Istanbul aboard the battleship USS MISSOURI. On its return voyage the MISSOURI will visit several Mediterranean ports.
2. Disposition of Italian cables discussed--According to Winant, initial US - UK conversations regarding the disposition of the Italian cable system disclosed that the UK would like an agreement with the US providing for a division of these cables as war booty. The British emphasized the expense incurred in setting up present arrangements and questioned the feasibility of restoring Italian cables to the pre-war situation. The British were informed of the US view that, since Allied acquisition of Italian cables would conflict with the position taken by the US and UK regarding reparations, the cables should be returned to Italy.
3. Poland protests UNRRA quota reduction--The Polish Foreign Office has sent a note to the American Embassy in Warsaw protesting the UNRRA decision to reduce quotas, particularly of grain. The Embassy learns that the Polish Prime Minister has also discussed this matter with UNRRA officials. The Prime Minister declared that this action by UNRRA would be presented by his Government to the Polish people, who would deduce that they had been deserted by the Western Powers. He also said that an appeal for assistance would then be made to the USSR. The Embassy reports that Soviet military authorities have recently removed 200,000 tons of seeding grain from Poland.

## EUROPE-AFRICA

4. USSR: Postwar policy--US Charge Kennan has submitted to the State Department a detailed analysis of the basis of Soviet foreign policy in the postwar world and has presented recommendations from the standpoint of American foreign policy.

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5. VENEZIA GIULIA: Departure of boundary commission delayed--The Deputies of the Council of Foreign Ministers have tentatively accepted a formula defining the area in Istria to be visited by the Commission, but have been unable to agree as to the nature of the investigation to be made with respect to Fiume and Tarvisio. Dunn concludes that it is the Soviet purpose to have the Commission make ostentatious visits to areas claimed by Yugoslavia, while denying it access to Italian-claimed areas. It appears also that Gusev seeks to utilize the present discussions to negotiate a preliminary agreement on the eventual boundary line.

Yugoslav reinforcements--According to Kirk, the latest XIII Corps report is that large-scale Yugoslav troop movement into Venezia Giulia ceased on 17 February, six new divisions having joined the original four. Kirk has learned that Tito explained this movement to the British Ambassador in Belgrade as merely provision of replacements to bring the original four divisions up to strength. This explanation is plausible, in view of the announced Yugoslav demobilization program; but can be proved only by disbandment of the newly identified units and incorporation of their personnel in the original divisions.

6. YUGOSLAVIA: Yugoslav mobilization reported--MA Belgrade has "reliable" information that general remobilization is in progress in the provinces. He has also heard that Soviet troops are moving south through Belgrade under cover of darkness at a rate of one battalion per night, that two Soviet divisions from Yugoslavia have reached the Greek-Bulgarian frontier and that Soviet anti-tank, artillery and engineer units equivalent to one division are moving toward Trieste.

The War Department has directed US Commanding Generals in Europe and the Mediterranean to report on the situation with respect to Yugoslavia and the means available to meet an emergency. However, troop movements will be made only on order of the Combined Chiefs of Staff.

7. CZECHOSLOVAKIA: US intrusion incident closed--Foreign Minister Masaryk has told Ambassador Steinhardt that he is

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entirely satisfied with the US Government statement on the recent incident involving removal of documents from Czechoslovak territory by US troops. He declared that upon return of the documents the incident would be considered closed.

8. GERMANY: Wheat stocks low--General Clay has reported to the War Department that until the next harvest available stocks of wheat and shipments in prospect (for the US, British and French Zones) will provide less than 1,000 calories per day for the normal consumer.
9. AUSTRIA: Indications of Soviet oil plans--Erhardt reports that the USSR probably is preparing to form a single Soviet oil company comprising all former "German" oil assets which it claims as reparations. These assets are estimated to involve roughly 65 percent of Austrian crude production, 50 percent of refining capacity and 35 percent of marketing facilities. Erhardt suggests that the US counter such a move by bringing specific oil cases into the Allied Council and by urging the Austrian Government to prepare cases for restitution of oil assets now claimed as reparations by the Soviets.
10. RUMANIA: Communist Minister to US proposed--US Mission Bucharest understands that prospective candidates for the position of Rumanian Minister to the US are being opposed by the Communists on the grounds that they are too friendly to the US. The Communists insist on the selection of a Communist as Minister; since the mission's purpose will be "to impress upon the Americans the superior advantages of the type of democracy exemplified by the Groza Government, and only a Communist could do this."
11. EGYPT: British issue formal protest--Following the 21 February riots, which resulted in considerable damage to British property, the British have lodged an official protest with the Egyptian Government. The protest stated, according to Minister Tuok, that despite assurances that law and order would be maintained, the Egyptian Government has permitted the creation of an anti-British atmosphere and has afforded every opportunity for attack on British life and property. The Chief of the Egyptian

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Department of the British Foreign Office has told Ambassador Winant that he is unable to find a satisfactory explanation for the current unrest in Egypt. He said that there are no clear-cut issues, such as in 1919, to provide any obvious grounds for Egyptian agitation.

12. PALESTINE: Jewish immigration--Murphy quotes a British member of the Anglo-American Palestine Committee as saying that the UK would probably accept 100,000 Jews for entry into Palestine from the US and UK zones in Germany, provided the US would participate on a basis of joint responsibility.

#### FAR EAST

13. KOREA: Representative government jeopardized--General Hodge reports that the Communist front in North Korea has been consolidated. The four parties represented are controlled by the USSR, and Korean moderates report all members are violent Communists or unknown Koreans brought from Manchuria or the USSR. The leader of the "People's Party" in South Korea has announced that he and his party are Communist and has openly admitted using Communist techniques to discredit the American military and military government.

General Hodge believes that the USSR plans (a) to force acceptance of their North Korean Government members as the Democratic representatives and (b) concurrently to compel the US to include Communist representation in South Korea. This would give the Communists control of the Korean Interim Government. General Hodge plans to keep up the prestige of the Korean Representative Democratic Council and discredit the Communists.

14. FRENCH INDOCHINA: French request ammunition--General MacArthur has forwarded General LeClerc's request for 2,000 tons of small arms ammunition to replace a similar amount previously obtained by the French and subsequently lost at sea.
15. CHINA: US Air Assistance--The War Department has notified the Commanding Generals of US Forces in China and India-Burma

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that the JCS have approved the limiting of US assistance to the Chinese Air Force program to eight and one-third Groups.

16. AFGHANISTAN: Treaty prospects with USSR--The US Minister Kabul has asked the Foreign Office whether the USSR-Afghan non-aggression pact (which expires on 29 March) will be renewed. The Afghan Government hopes for renewal of this pact but has not yet approached the USSR because it fears that the USSR might propose supplemental conditions unacceptable to Afghanistan.

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GENERAL

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1. Council of Foreign Ministers--Dunn reports that the Deputies at the Council of Foreign Ministers are encountering difficulties in the consideration of important problems and that unless there is some improvement the Council will not finish its work by 1 May. As an example he cites the disagreement among the Deputies on the proposed visit of the Allied Boundary Commission to Venezia Giulia. In this instance, while the French agree in general with British and US views, they take the position that in selecting an ethnic boundary line between Italy and Yugoslavia, the Commission must take care that such a line is not geographically and economically absurd. The Soviets, however, insist that the only area in dispute is that between the Italian ethnic line (as proposed by Italy) and the line delimiting the greatest extent of Yugoslav claims.
  
2. Restitution of Danubian vessels--Erhardt reports from Vienna that Czech and Yugoslav vessels held by US forces in Austria have not been returned because of the Soviet opposition to free navigation on the Danube and because movement below Tulln is physically impossible. While the Czechs do not seem anxious for return of their vessels at this time, the Yugoslavs have pressed for the return of their ships (which Erhardt believes would come under Soviet control). USFET has suggested that Yugoslav and Czech vessels in Austria be returned along with those in Germany, but US Forces Austria does not concur. Erhardt recommends that the subject should be treated uniformly in Germany and Austria, taking into consideration the political aspects of Soviet policy regarding the Danube.
  
3. US Army releases exceed six million--The War Department reports that 6,095,038 Army personnel were discharged between 12 May 1946 and 15 February 1948.

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4. CZECHOSLOVAKIA: Czechs protest US removal of documents--The Foreign Minister on 18 February formally protested to Embassy Prague the removal on 12 February of certain documents from Czech territory by an American detachment. A prompt investigation and return of the removed material were requested.

Murphy reports that the expedition was organized by G-2 USFET, which obtained permission for the party to enter Czechoslovakia, but did not ask Czech authority to remove documents for fear of jeopardizing the project. Steinhardt has learned that the French had disclosed the location of the cache to both USFET and the Czech Government. Although the precise nature of the documents was not known in advance, Murphy reports that they appear to include the archives of the Protectorate; Gestapo, SD and SS records concerning Bohemia and Moravia; the official papers of President Benes, 1918-1939; and his personal files, 1928-1938.

Murphy and McNarney propose that the affair be discussed, on a military basis, with the head of the Czech military mission in Berlin. McNarney believes that no apology will be required once the Czech government understands the circumstances and motives, and agreement is reached on sharing or return of the documents. Authorization of an USFET press release with Czech concurrence is urgently requested to quiet speculation on the subject.

5. YUGOSLAVIA: Troop movements--The US Military Mission in Belgrade quotes reliable reports that Yugoslav troops are concentrated at Maribor (near the Italian border, about 125 miles northeast of Trieste) and that considerable forces are either moving or about to move from the Belgrade area toward Slovenia and Trieste. Ambassador Patterson at Belgrade comments that whatever the reasons for these movements may be, they will be precipitated and justified without Soviet approval. He notes as possibly significant the fact

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that the Soviets recently presented to the UNO the protest of the Yugoslav Government against the presence of Polish troops in Italy.

6. POLAND: Mikolajczyk's views--Embassy Warsaw has been told by Mikolajczyk that certain Polish Government officials have attempted to bring pressure on him to deny that the security police have participated in political murders, but that he refused to do so. About two weeks ago, Mikolajczyk adds, the Soviets and certain Polish Government officials planned a series of incidents in order to create a serious internal situation which would justify Soviet action to suppress trouble. Mikolajczyk declares that these plans were thwarted by US and UK investigations in the areas concerned. He says that his party continues to consider unacceptable a single list of candidates. He feels that if the US Government opposes single lists as contrary to the Yalta agreement, it would be desirable to give that view publicity in the US press.
7. HUNGARY: USSR seeks economic control--A British Foreign Office official considers that the economic debilitation of Hungarian economy is a part of a Soviet plan, to bring Hungary within the Soviet fold. The rightist swing in recent elections, he feels, has dictated the present Soviet policy.
8. FRANCE: Developments concerning French demands--According to Winant, French Foreign Minister Bidault, before leaving London, again asked Bevin for a prompt decision on the French Ruhr proposals. Bevin replied that he expected a Cabinet decision within a week.

The French have requested that the US make two separate studies of steel plant removals from Germany, one to assume the Saar as annexed to France and the other according to existing boundaries. The State Department confers with General Clay that the survey should include the Saar in Germany.

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Blum has told Ambassador Caffery that he will urge Gouin and Bidault to accept Byrnes' request for French approval of a central German administration. Blum believes, however, that the US exaggerates the importance of this issue.

9. NETHERLANDS: Loan mission to US--Embassy The Hague reports that four Netherlands officials plan to arrive in Washington by 25 February to negotiate for a \$500,000,000 loan. Hornbeck has been told by the Finance Minister that the unfreezing of Netherlands assets in the US on 12 February and the \$50,000,000 Export-Import Bank credit granted on 15 February will not be sufficient to implement that country's vital economic reconstruction program.
10. RUMANIA: Possible Communist move to restore Carol-- The British Foreign Office has learned that Ana Pauker, Rumanian Communist leader, was recently in Paris, where she remarked that ex-King Carol is a "much abused man" and that there is no reason why he should not return to Rumania. She is understood to have contacted an agent of Carol.
- FAR EAST
11. CHINA: Chinese factions strengthen Manchurian forces-- General Wedemeyer reported on 18 February that both Central Government and Communist forces, now building up their strength in Manchuria, appear to be avoiding large scale conflict until Soviet troops are literally and figuratively out of the line of fire.
12. KOREA: Soviet pressure increasing--State Department representative Benninghoff reports an intensified pro-Soviet and anti-American campaign by Soviet authorities in North Korea. The Soviets are questioning Koreans regarding the distribution and conduct of US forces in South Korea. Soviet

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border control is reportedly tightening. Freedom of speech and all outside press and radio influences are suppressed.

13. **FRENCH INDOCHINA: Annamese defense of Tonkin expected--US Mission Hanoi expects the Annamese to resist desperately any move by the French into Tonkin. The Chinese began the withdrawal of one of their armies on 15 February and the French are reported to have 5,000 troops on the frontier. Although this French force is believed destined for Laos, in northwestern Indochina, the leader of the Viet Nam Party has expressed a fear that it may be used to seize Hanoi. He is considering submitting the issue of Annamese independence to UN mediation.**
14. **N.E.I.: Sumatra cool to Java political movement--The US Consul General believes that even if the negotiations at Batavia break down, there is still a strong possibility of a separate agreement between Sumatran leaders and Dutch authorities.**
15. **INDIA: Bombay riots--CG, IBT reports definite indications that the current rioting by Royal Indian Naval personnel is politically inspired, probably by the Communists, and states that as yet no attempts have been made to arrest the rioting seamen, who are said to be taking orders only from their own Naval Strike Committee.**

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1. Bevin's reply on Polish forces in Italy--Embassy London has forwarded the text of a 17 February letter from Bevin to the Secretary-General of the UNO regarding Vyshinski's letter of 15 February, with which was enclosed the Yugoslav Government's memorandum concerning the Polish Army in Italy. Bevin's letter includes the following points: (a) The Yugoslav Government, which had not previously complained to the British Government on this score, should have discussed its charges with Britain through diplomatic channels before they were submitted to the UNO. (b) The charges that Polish troops are concentrated near the Italo-Yugoslav frontier and have been gradually moving closer to that frontier are "entirely misleading". (Ambassador Kirk reports separately that no Polish troops in Italy will be used east of the River Tagliamento.) (c) There is no intention to relieve the 89th US Division by Polish troops. (d) Polish forces in Italy are not attempting to recruit Yugoslavs; there is no evidence that they are aiding Yugoslav dissidents.
  
2. Polish emigre press campaign foreseen--Embassy London has learned that members of the former London Polish Government intend to initiate an extensive press campaign in the United States and Great Britain on the question of Polish elections. The objective appears to be to place pressure on Mikolajczyk to refuse to agree to "block elections" and possibly to raise the election issue in Congress and Parliament.
  
3. British disturbed by Polish note on Polish troops abroad--Embassy London reports that the British Foreign Office was greatly surprised by a note from the Polish Government on Polish troops abroad, which insisted (a) that these troops be immediately disbanded and (b) that every individual upon release from military control should be free to apply for permission to return to Poland. The second stipulation was most disturbing to the British. The fact that the note was delivered just as the British Foreign Office and the Polish Embassy in London were completing a joint statement to induce as many of these troops as possible to return to Poland indicates that the Polish Government does not want most of these troops back.

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4. Views of Syrian Prime Minister on UNO deliberations--The US Charge at Damascus reports that on 18 February he talked with Prime Minister Jabri of Syria, who spoke "bitterly and pessimistically" about the UNO deliberations on the Levant question. Jabri stated that only the Soviet Union had taken a "clear and precise" position on that question. He objected to the US proposal because (a) it fixed no time limit for evacuation of foreign troops and (b) it failed to confine future negotiations (between Britain, France, Lebanon and Syria) to "technical" matters and thus would offer France an opportunity to extract privileges from Syria as the price of evacuation. The US Charge concludes that the Soviet Union is the only nation whose prestige has been increased among the local Arabs as a result of the UNO deliberations.
5. Cruiser HELENA and destroyers enroute to Europe--Navy states that the USS HELENA, a heavy cruiser, and destroyers GLENNON and CONE are enroute to UK to become the Flag Group for the Commander in Chief US Naval Forces Europe.

EUROPE

6. AUSTRIA: Byrnes' note raises DDGS issue with Molotov--Secretary Byrnes has transmitted to Molotov a letter concerning the Danube Shipping Company (DDGS), which has been seized as a former German asset by Soviet authorities in Austria. The Secretary recalls that Molotov had agreed that the various joint commitments in Austria did not exclude the possibility of consideration by the Allied Council of concrete cases of German assets in Austria, if those assets are distributed over various zones of occupation and if their origin is doubtful. He notes that the Soviet representative has declined to bring the case before the Allied Council in Vienna, and points out that the company's assets are distributed among the occupation zones and that "its origin provokes doubt". The Secretary, therefore, urges that the USSR empower its representative in Vienna to seek settlement of the case within the Allied Council.

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7. USSR: Anglo-American Committee barred from Soviet zones--The USSR has refused Embassy Moscow's request that the Anglo-American Committee of Inquiry on Palestine be permitted access to the Soviet-occupied zones in Europe. The Soviet note stated that the USSR and the respective Allied Councils are carefully watching enforcement of armistice bans on race discrimination, and evidenced irritation because the USSR was not consulted before the creation of the Committee.
8. FRANCE: Blum's US visit uncertain--Leon Blum has told Ambassador Caffery that he has not yet set a date for his visit to the US and that he might wait until after the International Bank Conference at Savannah. Blum also said that President Gouin was opposed to sending Andre Philip, Minister of Finance, to the Conference because of critical domestic financial issues.
9. SPAIN: Wheat demands refused by US--The Spanish Ambassador has been informed that, because of increased commitments to liberated and Allied countries, the US cannot increase Spain's wheat quota.

FAR EAST

10. JAPAN: Size of occupation forces--MacArthur has reported that the overall strength requirements for the occupation of Japan will be 173,000 by 1 July 1946, and by 1 July 1947 will taper to 151,000, of which 91,000 to 111,000 will be US and 38,000 UK personnel.
11. CHINA: LSTs requested for famine relief--General Marshall has requested that Admiral Cooke have 10 to 20 LSTs declared surplus for immediate transfer to UNRRA. These or other cargo vessels of equivalent size are required to help avert a famine in Hunan Province.
12. N.E.I.: Natives in outer islands welcome Dutch--In general, the natives of Borneo, the Celebes, and other important outer possessions have welcomed Dutch forces and are returning to

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work, according to Consul General Batavia. At Bangka Island, where the natives and Chinese are anxious to have the tin mines reopened, the reception was enthusiastic.

### THE AMERICAS

13. ARGENTINA: Implied Soviet attitude--Embassy Moscow notes a significant underlying connection between the following: (a) the pro-Peron attitude of a Brazilian Communist editor, (b) the Soviet proposal to send a trade delegation to the Argentine, and (c) the conspicuous absence in Soviet newspapers of anti-Nazi enthusiasm regarding the Blue Book.
  
14. BRAZIL: Views on world situation--Ambassador Berle reports that, in a discussion with a number of Brazilian foreign policy makers, ex-Foreign Minister Aranha developed the thesis that the Russians are building a machine for crushing the British Empire, and that the British are being forced into the US orbit. He maintained that in preparing a general defense, the integration of the Americas --including Argentina -- was essential. Berle stated that Argentina should be so handled that it would become an addition, rather than a threat, to American defense.

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1. French formula for disposition of German assets in Austria--  
Embassy Paris has forwarded a reply of the French Foreign Office to US proposals regarding German assets in Austria. The French reply includes the following:

a. German assets in Austria before 1938, together with war plants removed from that country for reasons of security, should be available for reparations. All other German assets (except former Allied property acquired by Germany since the Anschluss) should be given to Austria.

b. If the Allies renounce their rights to reparations from Austria (as previously proposed by the US, and which the French are willing to do), Austria should agree to pay certain indemnities, make certain restitutions, and resume payments on debts contracted before 15 March 1938.

## EUROPE-AFRICA

2. GERMANY: French views on US economic proposals--The French Foreign Office, in a note commenting on the US memorandum on economic policy toward Germany, places major stress on security considerations. The French agree that Germans should direct their own national economy, within necessary limitations and controls, but include a strongly worded reservation on the reestablishment of a central administrative machinery before Germany's boundaries and the future central political regime have been clarified. Further reservation is made regarding the French Ruhr proposal.
3. GERMANY: OMGUS opposes transfer of Karlsruhe, Mannheim to French Zone--Murphy reports that the Office of Military Government, US, has recommended USFET opposition to renewed French requests for inclusion of North Baden (Karlsruhe and Mannheim) in the French occupation zone. OMGUS points out that the transfer would lower American prestige by indicating lack of stability in the established state boundaries and

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would greatly increase difficulties of transportation and communications within the US Zone.

4. **ITALY: Yugoslav reinforcement of Venezia Giulia**--Embassy Rome reports an AFHQ estimate that Yugoslav strength in eastern Venezia Giulia has been doubled during the first half of February. The US Commanding General in that area believes the purpose of this reinforcement is to intimidate the inhabitants of the Yugoslav zone and to exert psychological pressure on the residents of the Allied zone during the visit of the Allied Boundary Commission.
5. **HUNGARY: Reported USSR offer on frontiers**--The editor of the Smallholders Party newspaper has told Schoenfeld in strictest confidence that Voroshilov has offered, on behalf of the Soviet Government, to support Hungary's revisionist claims in Transylvania, provided that the USSR can be confident that Hungarian economic and political policy will be favorable to Soviet interests. This may explain Hungary's tendency to grant Soviet economic demands.
6. **HUNGARY: Cardinal Mindszenty** was cleared by Soviet authorities on 18 February to leave Budapest for Rome, and was scheduled to depart the following day in General Key's plane.
7. **EGYPT: New cabinet formed**--Minister Tuck reports from Cairo that Sidki Pasha's new Cabinet is composed primarily of technicians with a slightly pro-British tinge. Tuck believes the new Government has an uncertain and troubled future.

#### FAR EAST

8. **JAPAN: The Emperor as a war criminal**--The State Department considers that the position of the Emperor as a war criminal should not be discussed by the War Crimes Commission in London and has so instructed its representative. The Department holds that the International Prosecution Section of SCAP should determine the list of Japanese war criminals in accordance with the policies formulated by the Far Eastern Commission.

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9. **N.E.I.: Independence is aim**--Salim, Sjahrir's political adviser, has told Consul General Foote that no discussion of economic problems or of a special colonial status will alter the Indonesian demand for independence. If their independence is recognized, Salim claims, the Indonesians are ready to enter into a far-reaching treaty with the Dutch which will protect Dutch interests.
  
10. **CHINA: Credit extension**--General Marshall approves the extension of a \$32,300,000 credit to China by the Export-Import Bank for the purchase of transportation and telecommunication equipment. He emphasizes that unless transport facilities are rapidly rehabilitated, famine cannot be averted.

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18 Feb. 1946

EUROPE

1. CZECHOSLOVAKIA: Borders closed to Americans after raid--  
The Czech Government has closed its borders to Americans and is holding a US Captain and two NCO's in connection with the crossing of the frontier by a small American force on 11 February. Czech officials charge that an underground dump was dynamited. They plan to hold the men until the materiel they claim has been removed (reportedly radar) is returned and a US explanation is given. The US Ambassador believes the Czech Government has evidence the raid was authorized at a high level.
2. HUNGARY: Financial deterioration and Soviet penetration--  
Schoenfeld reports Hungarian inflation now mounting at a run-away pace. During the past week the American dollar increased from 800,000 to over 1,800,000 pengoes, and prices more than doubled, with currency in circulation now over two trillion pengoes. Schoenfeld predicts imminent loss of all currency value. Meanwhile Soviet penetration proceeds, the Hungarian Economic Council has decided to transfer to the USSR all bauxite shares claimed by the Soviets to have been German-owned. These shares control 35 percent of Hungary's bauxite resources.
3. HUNGARY: Air and shipping privileges--Legation Budapest learns that Hungary in negotiations with the USSR has insisted that UK, US and Netherlands also be permitted use of Hungarian airfields and that vessels of any nation have access to Hungary's Danubian ports.
4. SPAIN: Serious food shortage--Despite complete silence on the part of the local press, Embassy Madrid reports that the food shortage is critical and that Spain must import 800,000 tons of cereals during the next six months to maintain a minimum daily diet of 1400 calories. The food scarcity, coupled with increasing prices, is contributing heavily to general political instability, and there is little likelihood of immediate improvement in view of

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Spain's inability to pay for needed imports.

5. SPAIN: US urged to delay statement of policy--In a detailed analysis of the forces within Spain working toward a change in the Government, Embassy Madrid advises against US public support of any new regime. Because Leftist and Rightist forces are so equally matched, Ambassador Butterworth feels that no interim regime could meet US long-range objectives for orderly, democratic government.

#### FAR EAST

6. CHINA: New exchange and trade plans--The US Treasury representative in Chungking has transmitted the proposed new Chinese exchange and trade regulations as drafted by Arthur Young and two officials of the Bank of China. These proposals have received approval in substance by Chiang and Soong and are now being studied by the Ministry of Finance.

The drafters have recommended that China should (a) aim at effecting major financial and economic readjustments by the time sterling is restored to free convertibility, (b) establish flexible exchange and trade controls and provide adequate machinery to regulate exchange and imports, (c) seek as rapidly as possible a sound, stable and free currency system consonant with Bretton Woods, (d) remove trade barriers, (e) allocate five hundred million US dollars for future currency reform and set aside an exchange fund for 1946 operations, and (f) apply no penalty measures to blocked assets abroad, use of which should be directed into channels of advantage to China.

The proposals provide for the regulation of foreign exchange transactions and disposal of blocked property by the Central Bank which would designate other banks as well as

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dealers to deal in foreign exchange and foreign notes. Official exchange rates would be abolished and the public would be permitted to buy and sell foreign exchange only through the appointed banks. Individual foreign currency accounts would be restricted and withdrawals made only for approved purposes. Penalties for violation of regulations include fines of up to one-half the amount of the illegal transaction and the debarring of banks or individuals from further foreign exchange transactions.

With respect to foreign trade policy and temporary foreign trade regulations, the proposed regulations would permit unrestricted trade except for a few less essential imports subject to customs license control and a brief prohibited list of both exports and imports. A temporary import program committee would be set up under the Supreme Economic Council.

7. KOREA: Consultants to Korean Joint Commission--SWNCC has recommended that the US and USSR appoint non-extremist Koreans to the Korean Joint Commission. General Hodge has reported that the group chosen in the US zone will include leaders of all major parties except the Communists. Extreme right wing leaders, he declares, must be included because their personal popularity is such that even Communists include them in any "slate".
8. N.E.I.: Political situation confused--The US Consul General in Batavia reports that Clark Kerr and van Mook appear optimistic and that Sjahrir has accepted the Dutch proposals as a "basis of discussion". Sjahrir, however, has privately said that the proposals contain conditions which are impossible, and that if he agreed to them, he would be immediately repudiated by the Indonesians. Such pessimism is possibly calculated to encourage US pressure on the Dutch.

#### THE AMERICAS

9. ARGENTINA: Peron reported to have evidence--The US Charge in Buenos Aires has heard that Peron has documentary and recorded evidence to substantiate certain of his charges against

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Braden and Lang.

10. **ARGENTINA: Deportation of Axis agents--**Charge Buenos Aires reports that a number of Axis agents were deported on 16 February and action is being taken against others. Argentina's compliance is better than was anticipated.
11. **BRAZIL: Blue Book--**The Brazilian Foreign Minister has told Ambassador Berle that Brazil wishes to follow the US lead in the Argentine situation, and would like to know how it can help.

Embassy Madrid reports that Brazil's Ambassador has told the Spanish Foreign Ministry that, since Eduardo Aunos (war-time Spanish Minister of Justice) was implicated by the Blue Book, Brazil could not now receive him as the new Ambassador from Spain.

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**TAB B**

## Explanation of Exemptions

### Freedom of Information Act:

- (b)(1) exempts from disclosure information currently and properly classified, pursuant to an Executive Order;
- (b)(2) exempts from disclosure information, which pertains solely to the internal personnel rules and practices of the Agency;
- (b)(3) exempts from disclosure information that another federal statute protects, provided that the other federal statute either requires that the matters be withheld, or establishes particular criteria for withholding or refers to particular types of matters to be withheld. The (b)(3) statutes upon which the CIA relies include, but are not limited to, the CIA Act of 1949;
- (b)(4) exempts from disclosure trade secrets and commercial or financial information that is obtained from a person and that is privileged or confidential;
- (b)(5) exempts from disclosure inter- and intra-agency memoranda or letters that would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) exempts from disclosure information from personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of privacy;
- (b)(7) exempts from disclosure information compiled for law enforcement purposes to the extent that the production of the information (A) could reasonably be expected to interfere with enforcement proceedings; (B) would deprive a person of a right to a fair trial or an impartial adjudication; (C) could reasonably be expected to constitute an unwarranted invasion of personal privacy; (D) could reasonably be expected to disclose the identity of a confidential source or, in the case of information compiled by a criminal law enforcement authority in the course of a criminal investigation or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source; (E) would disclose techniques and procedures for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law; or (F) could reasonably be expected to endanger any individual's life or physical safety;
- (b)(8) exempts from disclosure information contained in reports or related to examination, operating or condition reports prepared by, or on behalf of, or for use of an agency responsible for regulating or supervising financial institutions; and
- (b)(9) exempts from disclosure geological and geophysical information and data, including maps, concerning wells.

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EUROPE-AFRICA

1. **GREAT BRITAIN: Policy on defense against atomic bombs**-- MA London reports that the British General Staff, assuming that atomic bombs will be dropped from aircraft for some time to come, has concluded (a) that defense against them must depend on transportable, super-heavy, remote-controlled, anti-aircraft weapons capable of engaging single aircraft or formations flying at up to sonic speed with operational ceiling above 55,000 feet, and (b) that guided missiles offer a potential solution of the problem.
  
2. **IRAN: Soviet troop movements**-- The State Department representative in Tabriz reports that the current movement of Soviet troops in the Azerbaijan area constitutes "no ordinary reshuffling but a full-scale combat deployment." Tanks and armored cars are continually arriving by rail, and armored force personnel now far outnumber the cavalry, formerly the principal occupation force. Large troop movements continue both toward the Turkish border and eastward toward Tehran. Communications from Tabriz may be cut at any moment.
  
3. **GERMANY: Agreement on economic blueprint**-- General Clay reports that, subject to confirmation by the Coordinating Committee and certain minor reservations by the French, agreement has been reached by the ACC on an economic blueprint for postwar Germany. The plan is based on the assumption that Germany will be treated as an economic whole, including the Ruhr and the Saar, and prescribes maximum production capacities in major branches of German industry.
  
4. **NORWAY: Request for US equipment**-- General McNarney reports that the Norwegians have indicated an interest in equipping a force of approximately two and one-half divisions with US materiel. He points out that they have already obtained information on similar equipment from the British but are delaying a decision until receipt

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of the data requested from the US. General McNarney, therefore, has asked for War and State Department authority to supply the Norwegians with the requested information.

5. USSR: Recent demonstrations by US troops have had an unfortunate effect on the Soviets, the Turkish Ambassador to Moscow has told the US Naval Attache. The Soviets took them as evidence of American impotence and were therefore increasing their aggressive actions, the Ambassador declared.

## FAR EAST

6. KOREA: Report on Soviet activities-- A 6 March report from General Hodge.

[redacted] includes the following description of Soviet activities in northern Korea:

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(a) Since 1 February the number of Soviet troops has increased, and there is much talk among them of a possible war with the US. One Soviet officer is reported to have said that the conquest of southern Korea could be completed in 5 days. Even when allowances are made for braggadocio and rumor, the agents' reports generally indicate that the Soviets are in a "state of readiness for combat not warranted by the local situation."

(b) The Soviets had removed most capital goods from their zone by 10 February; they are anxious to remove the balance of these goods and improve railroad facilities before the arrival of Allied inspection groups.

(c) The Soviets have changed their attitude towards local Japanese and have improved their living conditions. At one locality in the Soviet zone, 3000 former Japanese Army officers are being trained in Communism, presumably in preparation for their return to Japan.

On 8 March, General Hodge reported that some Koreans "acting as Soviet agents" had been captured in Seoul. These agents had been sent by the Soviets into southern Korea (a) to join the US-sponsored Coast Guard School or (b); if they were unable to do so, to visit principal cities to obtain estimates of US military strength, US shipping and naval operations

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(particularly at the port of Inchon), and general economic activity. [REDACTED]

(b)(1)

7. JAPAN: SCAP cites fertilizer needs-- General MacArthur reports that on account of the wartime stringency in supply of fertilizers in Japan, the infertile nature of the soils, and the fact that residual fertility has been exhausted, failure to obtain fertilizer imports would result in an estimated crop reduction of from 15 to 20 percent during late 1946 and 1947. He strongly recommends that the shipping space required for delivery of food previously requested by him be made available for fertilizers, if food can not be procured.

#### THE AMERICAS

8. ECUADOR: Velasco changes mind on dictatorship-- US representatives in Quito have previously reported that President Velasco, irked at various constitutional restrictions, was thinking of establishing a dictatorship. Embassy Quito now reports that Velasco "has changed his mind," having publicly asserted that he will uphold the Constitution, even though he believes it to be "absolutely defective," and having also said he is ready to resign whenever the country so indicates.

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GENERAL

- 1. Yalta repatriation agreements--Embassy London has been informed by the British Foreign Office that the UK signed two repatriation agreements at Yalta. One, of a general nature, is identical with that signed by the US and has already been published. The other agreement contains the "legal fiction" that all Soviet nationals in the UK are members of the Soviet armed forces. The British prefer not to publish the latter agreement at this time, but they would not be "too greatly embarrassed" if the US should decide to do so.
- 2. Fifth Fleet departure from Japan delayed--The Navy reports that the departure of the Fifth Fleet from Japanese waters, previously scheduled for 15 March, has been delayed.

EUROPE-AFRICA

- 3. GREAT BRITAIN: Defense plans--Embassy London has submitted a preliminary report on the present British defense policy. The report, based on a recent debate in the House of Commons and on information from military and press circles, includes the following points:
  - (a) The Armed Services had requested 1,500,000 men for 1947, but lack of manpower has forced the Government to reduce the number to 1,100,000 (Navy 175,000, Army 650,000 and Air 275,000), plus 100,000 trainees.
  - (b) The Government has accepted continuation of conscription, but is withholding an announcement of the length of service pending determination of the results of volunteer enlistment.
  - (c) In view of the inability of the UK alone to meet imperial defense responsibilities, a closer liaison with the dominions and colonies is planned both in staff and training, which may include the maintenance of common training and strategic reserve centers at key points in the Empire.

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(d) Temporarily much of the training of new forces may be done in the British zone in Germany in order to speed up demobilization, release agricultural land in the UK, and make use of modern German installations.

4. GERMANY: Soviet policy analyzed--Kennan has submitted an analysis of Soviet policy with respect to Germany, with particular reference to the problem of administrative centralization. He considers that by obtaining acceptance of the Oder-Neisse line the Soviets not only assured the total military dependence of Poland on the USSR, but also made the separate existence of the remainder of Germany as a national unit dependent on close political and economic ties with a stronger neighboring state. The Soviets desire the eventual unification of the remainder of Germany as an "anti-Fascist republic", but only after the consolidation of their influence in the Soviet zone. They are pleased, therefore, that France should assume the onus of delaying administrative centralization. When Moscow judges the time ripe for centralization as a means of extending Soviet influence, the USSR will strongly support such a program, exerting Communist pressure for a modification of French policy.

Kennan sees little hope that central administrative agencies can be used to break exclusive Soviet control in the eastern zone or to impede the westward extension of Soviet influence. He regards partition as the only means of maintaining a western orientation in the western zones.

5. GERMANY: Illegal entries to be barred--General McNarney reports that the borders of the US zone will be closed on 15 April to the unauthorized immigration of refugees. He points out that these illegal entries are substantially increasing the zone's population. Legal immigration commitments alone will, by the end of 1946, increase the population of the US zone to 17,500,000 (some 5,500,000 more than the zone is able to support).

Murphy reports that OMGUS opposes further commitments for the acceptance of German nationals of any category

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in the US zone until the problem can be thoroughly studied.

6. GERMANY: Polish nationals arrested--Murphy reports that, during a 1 March raid on black market operations in the US zone in Berlin, American military authorities arrested 11 Polish nationals. Two of those arrested were members of the Polish Military Mission and have been released. The remainder are employed by a Polish Restitution Commission in the Soviet sector and have no status or reason for residence in the US zone.
7. AUSTRIA: Clark opposes pooling of food--General Clark opposes any agreement at this time with the British and French on the pooling of resources and the equalization of food consumption in the three western zones. He believes that only by continuing the present unilateral supply system will the British and French be forced to more aggressive efforts to supply their zones. At present, Clark states, the latter are making only half-hearted attempts in anticipation of UNRRA's assumption of responsibility for supplies on 1 April. In the interim, Clark requests authorization to loan supplies to the British and French when necessary to prevent disaster.
8. POLAND: Government proposes to defer elections--Embassy Warsaw has learned from official Polish sources that the Provisional Government proposes to postpone the elections previously scheduled for the spring or early summer of 1946. Both Ambassador Lane and the British Ambassador believe that postponement would merely enable the present regime to entrench itself more firmly by continuing its arrests and deportations of political opponents, press censorship, and vituperation of Mi kolajczyk.
9. IRAN: Qavam's summary of Moscow talks--Embassy London has transmitted a summary of a conversation between the British Charge in Moscow and Premier Qavam before the latter's departure for Tehran. Qavam's statements

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included the following:

(a) He had reached no agreement with the Soviets and expressed disappointment with the outcome of his mission. Under the circumstances, he plans to continue the conversations in Tehran while keeping the Iranian question before the UNO. He expressed particular interest in the attitude which the UK and US would take, irrespective of action by the UNO, and added that he regarded the British note to the USSR as more of an inquiry than a protest.

(b) The Soviets complained to him about discrimination with respect to oil and cited the Anglo-Iranian Oil Company as a case in point. While no commercial agreement was reached he furnished the Soviets with "certain information regarding economic considerations of interest to Iran."

(c) While the Soviets had given him no reason for their retention of troops on Iranian territory, they had clearly intimated their "fears of British aggressive intent" and the applicability under such circumstances of the 1921 treaty. Qavam had characterized these suggestions as "pure nonsense" and had ridiculed Soviet allegations that tribes in southern Iran had been armed by the British.

The British Foreign Office considers, in view of this report, that Qavam took a much stronger line at Moscow than had been expected.

Embassy Moscow reports that Qavam left Moscow on 7 March. The Embassy added -- in connection with its previous report that Qavam at Soviet suggestion might be considering a coup d'etat after the adjournment of the Iranian Parliament -- that if such suggestions were made, they may have been presented in the "most delicate oriental manner", without raising any direct question of Qavam's personal loyalty.

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## FAR EAST

10. CHINA: Repatriation of Japanese--The Secretary of State has accepted General Marshall's plan for the repatriation of Japanese from Manchuria. The Secretary agrees that the US should offer shipping facilities to the Soviets, in order to expedite the repatriation of Japanese civilians.

## THE AMERICAS

11. CHILE: British offer war equipment--The US Military Attache has been told [redacted] that Britain has offered to his Government considerable equipment, including US material, at very low prices. The Ministry of Defense plans not to accept the offer in the hope of obtaining arms from the US.

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GENERAL

1. Proposed settlement of Lend-Lease with Turkey--The State Department has referred to Embassy Ankara tentative recommendations for the settlement of Lend-Lease and surplus property with Turkey. These provide that: (a) Turkey pay for those Lend-Lease supplies in its possession that have a recognized civilian postwar utility; (b) Turkey pay for supplies retransferred after Lend-Lease was discontinued; (c) all other articles be retained by the Turkish armed forces without further payment, but subject to recapture rights; (d) Turkey purchase at present value all US surpluses in Turkey.
2. US and France to negotiate air transport agreement-- State Department and Civil Aeronautics Board representatives will soon visit France to assist Embassy Paris in the negotiation of a permanent air transport agreement. TWA is currently operating weekly flights although authorized to conduct daily service under an interim agreement. Pan-Am has not commenced service because of failure to secure French approval of its \$295 trans-Atlantic rate.
3. US proposes civil air route through Budapest--Legation Budapest has delivered a note to the Hungarian Foreign Office which states that the US, as part of its plans to establish American international civil air routes, would like to have one of the "most important" routes pass through Budapest. This communication, transmitted at the suggestion of Hungarian Government, is helping the Hungarian Premier to resist Soviet pressure for a joint Soviet-Hungarian Aviation Company, exclusive in character.

EUROPE-AFRICA

4. GERMANY: US stand on forcible repatriations-- The War Department

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has authorized USFET to repatriate forcibly any displaced person in Germany whose government can substantiate the charge that he voluntarily aided the enemy. Refusal to be repatriated or acceptance of ordinary employment in German agriculture or industry will not, however, be considered grounds for forcible repatriation. Care is to be taken that the governments concerned do not abuse this procedure to obtain forcible repatriation of political opponents. Any case of repatriation to Yugoslavia should be cleared with the State Department. Since the US does not recognize incorporation of the Baltic States into the USSR, no Soviet requests for forcible repatriation of Balts will be complied with.

5. USSR: Soviet press distorts US Army trial-- Both MA and Embassy Moscow have requested full particulars of the US Army court-martial that acquitted an American soldier charged with the murder of a Soviet officer on an American train in Austria. A Tass Vienna dispatch, prominently carried in the Moscow press, distorted the facts and termed the US court's decision a flagrant miscarriage of justice. Embassy Moscow wishes to make a public rebuttal to the Soviet press.
6. USSR: German scientists work for USSR-- MA Moscow reports that Soviet research institutes are using the services of German scientists supervised by Soviet officials. The MA cites the specific example of 20 Soviet engineers sent to Berlin in military uniform to direct the work of 200 German scientists and engineers working on communications projects.
7. AUSTRIA: USSR offers position to German chemist-- Erhardt has learned from Foreign Minister Gruber that the Soviets have proposed to Friedrich Bergius that he assume direction for them in the USSR or elsewhere of an office to advise on production of synthetic gasoline and wood sugar. Bergius, a German by birth, won the Nobel Prize for his work under I.G. Farben on the development of benzene; he is now an Austrian citizen. Bergius is unwilling to undertake the Soviet assignment anywhere except in Vienna and has asked the advice of the Austrian Government as to whether he should accept it at all.

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9. VATICAN: No. Papal Secretary of State will be appointed for sometime, the Pope has informed the US Charge at the Vatican in a private audience.
9. HUNGARY: Currency issue authorized -- Schoenfeld reports that Voroshilov has authorized the Minister of Finance to issue one million pengo denomination currency. In this reversal of his previous stand, Voroshilov's principal concern appeared to be the threatened cessation of production in reparations factories.
10. BULGARIA: US views on non-recognition -- Foreign Minister Stainov has told Barnes that he was not impressed with the US note outlining the US interpretation of the Moscow decision on Bulgaria. The note urged that the Bulgarian Government and the opposition find a mutually acceptable basis for participation by representatives of the opposition parties, but that no pressure should be exerted on the opposition to nominate representatives without regard to the conditions of their participation in the Government. Barnes recommends that, despite the Soviet decision not to press for implementation of the US demands, the US adhere to its present policy of non-recognition. In the meantime, both the US and UK are planning to protest to the Soviet Government concerning Bulgaria's failure to meet reparations requirements, particularly the failure to ship food to Greece.

FAR EAST

11. CHINA: UK and USSR to be informed of Advisory Group action -- On 27 February the State Department instructed its representatives to advise the Soviet and UK Governments in confidence that, at China's request, the US expects shortly to open negotiations aimed at the establishment of a US Military Advisory Group to China with limited responsibilities.
12. N.E.I.: UK will not accept Indonesian independence -- US Embassy The Hague reports that Clark Kerr has informed Sjahrir that the British will not accept a grant of outright independence to the Indonesians as a condition to the present negotiations.

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13. INDOCHINA: Mediation proposed-- The Chinese Foreign Minister has indicated to Embassy Chungking that his Government would be willing to mediate between the French and the Annamese, if requested by both sides. He desires that the views of the Secretary of State be ascertained as to the possibility of joint Sino-American mediation.
14. INDOCHINA: Impending French operations-- The State Department's observer in Hanoi, quoting D'Argenlieu's political advisor, reports that French expeditionary forces with heavy armor are ready at Saigon to embark for Tonkin during the first week of March.
15. AUSTRALIA: Disestablishment of the Australia-New Guinea naval command-- will be discussed at a Pearl Harbor conference authorized by Admiral Towers. If results of the discussions are satisfactory, Towers requests authority to disestablish US Naval Forces Australia-New Guinea, as a command, on approximately 1 April.

#### THE AMERICAS

16. ECUADOR: Impending military coup -- Embassy Quito has been informed by a source "intimately connected with the group" headed by the army opposition leader, General Enriquez, that the group will initiate revolutionary activity within thirty days. The Embassy does not know whether the Government is aware of the plot.
17. VENEZUELA : Officers arrested-- Naval Attache Caracas reports that five Venezuelan officers, who had begun to distribute arms for a coup designed to oust the civilian element in the Government, were arrested on 23 February. Charge Dawson reports that he has been unable to confirm the imminent possibility of an outbreak, which he doubts would be successful, in any event.

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## GENERAL

1. Balkan treaties--The State Department has suggested to Dunn that the Deputies at the Council of Foreign Ministers might begin work on the Balkan treaties while awaiting instructions and committee reports on the various provisions of the Italian treaty. The Department also suggests that Dunn obtain information regarding the USSR's attitude on the economic and military aspects of the Balkan treaties.
2. Fifth Fleet to leave Japan--The Navy reports that the Fifth Fleet will withdraw from Japanese waters about 15 March. It will be relieved by a Task Group of the Seventh Fleet under the command of Rear Admiral Bennett.

## EUROPE-AFRICA

3. IRAN: Qavam reportedly considering a coup--Embassy Moscow has been told [redacted] that Qavam, at the suggestion of the Soviets, may be considering a coup d'etat after adjournment of Parliament on 12 March. Qavam, after obtaining the post of President of the Iranian Republic, then would accede to all Soviet demands. Qavam allegedly postponed his departure from Moscow in order to avoid questioning by Parliament.

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Soviet moves--Embassy Tehran reports that Soviet troops are being evacuated only from the area south of the Elburz mountains and are being retained on the Caspian slope and in the Tabriz area, both of which are scenes of Soviet oil-drilling operations. The troops in Azerbaijan are apparently being concentrated near the Turkish and Iraqi borders.

4. USSR: Censorship of US press dispatches--Chargé Kennan has recommended that the State Department consult at once with the home offices of American correspondents now in

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- Moscow to ascertain whether they wish their correspondents to continue filing copy. Kennan emphasizes that current Soviet censorship regulations permit complete distortion of any story filed in Moscow, without the knowledge of either the correspondent or his home office.
5. POLAND: USSR grain shipments--Ambassador Lane has transmitted the text of a telegram to the UK Foreign Office from the British Ambassador stating that: (a) the Polish Government was led to believe that the Soviets would supply Poland with 350,000 tons of seed grain by mid-January; (b) the Polish Minister of Agriculture now says that only 150,000 tons will be available from this source; and (c) the Soviet Ambassador's declaration that the USSR is giving 200,000 tons of grain to Poland is untrue. So far as can be determined, 45,000 tons are coming from Germany and 110,000 tons from stocks on farms operated by the Red Army in ex-German territory. The remaining 45,000 tons are allegedly being sent from the Ukraine, which the British Ambassador questions in view of UNRRA food shipments to that area.
  6. HUNGARY: Premier makes concessions to leftists--The Premier, following leftist threats to withdraw from the coalition Government unless the Smallholders Party is purged of "reactionary elements", told Schoenfeld that he plans to make certain political and economic concessions; since he feels that maintenance of the coalition Government is imperative to prevent either a leftist dictatorship or paralyzing strikes and unrest. He proposes to expel certain reactionary members of the Smallholders Party, concede nationalization of coal mines and initiate discussions regarding nationalization of other sub-soil resources. Concurrently, he hopes to regain Soviet confidence in the Smallholders Party, which he considers indispensable in order to cope with pending economic difficulties.
  7. ITALY: Plebiscite decree--Allied HQ in the Mediterranean has received from the Italian Premier a draft of the decree

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now before the Consultative Assembly providing for a plebiscite on the question of the monarchy, to be held simultaneously with elections for the Constituent Assembly. Under this decree, if the voting favors a republic, the Constituent Assembly will elect a temporary Chief of State to serve until the new constitution is formulated and approved, after which a Chief of State can be appointed in accordance with constitutional provisions. If the vote goes against a republic, the regime of the Lieutenant General of the Realm will continue as at present until the new constitution comes into force.

8. UNION OF SOUTH AFRICA: Smuts requests wheat from US-- Prime Minister Smuts has sent a message through Legation Pretoria to President Truman stating that (a) there is less than two months' supply of wheat in the country, and (b) unless the 360,000 tons requested from the Combined Food Board for the remainder of 1946 are obtained, "starvation must result even among the European population." Smuts adds that South Africa must also import 700,000 tons of corn during 1946 but that a substantial portion of these imports may be obtained from Argentina.

#### FAR EAST

9. INDOCHINA: Outbreak in Saigon-- [redacted] (b)(1)  
[redacted] French troops in Saigon have wrecked the printing plant of a Socialist publication and have publicly beaten up the most prominent local Socialist. [redacted] (b)(1)  
the three-hour riot had the sanction of high-ranking officers and that most observers interpreted it as an Army protest against any moderation of terms to the Viet Nam Government. (b)(1)
10. INDIA: Congress Party worried by disorders--The State Department's representative in New Delhi reports that, [redacted] Congress Party leaders are greatly disturbed over the recent Bombay naval strike (b)(1)

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and accompanying disorders. As an example of the concern felt by top leaders over the growing influence of elements prone to violence, he cites Gandhi's recent plea for calm, discipline and good will lest the future state be "worse than the present."

11. N.E.I.: Sjahrir's position strengthened--Ambassador Hornbeck reports that, in the opinion of an official in the Netherlands Foreign Office, the Indonesian National Committee has strengthened Sjahrir's position by giving him full freedom (a) to form a new cabinet from candidates put forward by various political groups and (b) to conduct negotiations with van Mook without continually referring back to Soekarno for approval.

#### THE AMERICAS

12. ARGENTINA: Peron's lead increasing--Embassy Buenos Aires reports that incoming returns indicate that Democratic chances of winning are steadily diminishing.
13. CHILE: Soviet Embassy to open--Embassy Santiago advises that an Attache of the Soviet Embassy in Mexico is in Chile preparing for the arrival of the Soviet Ambassador to Chile.
14. COLOMBIA: Concern over military dictatorships--The Foreign Minister of Colombia has expressed concern over an apparent trend toward military dictatorships in American Republics. He believes that the Argentine Army, since the publication of the Blue Book, has been actively intriguing toward this end in Bolivia, Chile, Peru and Ecuador.
15. ECUADOR: Impatience for US planes--Embassy Quito reports that, in a talk with the US Naval Attache, the Ecuadoran Minister of the Interior (a) expressed considerable bitterness over the long delay in receiving planes from

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the US and (b) stated that, unless some planes arrive by the end of March, Ecuador "will wash its hands of the whole business and demand its territory back." The Attache assumes that the Minister was referring to the US base in the Galapagos Islands.

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GENERAL

1. Council of Foreign Ministers--Dunn reports that Soviet Deputy Gusev has finally agreed to invite the Italian Government to submit to the Council further memoranda regarding the peace settlement with Italy. The Deputies have also tentatively agreed that representatives of Italy (and other interested states) should eventually be given an opportunity to discuss with the Deputies the main provisions of the treaty, when further progress has been made in drafting those provisions. Dunn believes that Gusev's reversal of his previous position was undoubtedly influenced by the statement that the US would feel obligated to act independently in inviting the Italian Government to submit its views.
  
2. Reaction to Byrnes' speech--Preliminary State Department reports on foreign reaction to Secretary Byrnes' 28 February foreign policy speech include the following: (a) the speech was ignored by the Moscow press; (b) the Rumanian censor reportedly prohibited the publication of any part of the speech; (c) the full text of the Secretary's speech was communicated to the Yugoslav press on 1 March, but there was no mention of it in any of the papers the following day; (d) in Bulgaria the speech was printed in considerable detail but with slight shifts of meaning in translation that distorted the significance of the Secretary's comments; (e) Government reaction in Vienna was exceptionally enthusiastic.
  
3. British Food Minister enroute to US--Embassy London advises that British Food Minister Ben Smith is leaving for Washington. It is understood that, in addition to British requirements, he will support food requests presented by Indian representatives now in the US.

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EUROPE-AFRICA

4. AUSTRIA: Food shortages in Vienna--General Clark reports that for the current week only the US met its full food commitments for Vienna. As a result, the ration scale again fell below the theoretical level of 1,550 calories. The situation promises to deteriorate further, since both the Soviets and the French remove food from their zones and the ration scale in the UK zone after 1 April is uncertain. Clark proposes to meet future defaults in quadripartite food deliveries by reducing rations in the US zone when necessary and diverting the saving to Vienna.
5. HUNGARY: Political tension rises--Schoenfeld reports increasing political tension and growing apprehension by Government officials that a crisis is imminent. Communists are increasing their press attacks on the rightists. According to a "trustworthy" source, a high political police official has proof that the Communist Central Committee has issued orders to commence demonstrations and strikes. Schoenfeld believes, however, that the Soviets, for fear of resulting adverse world publicity, will hesitate to overthrow the existing coalition Government unless their current objectives of economic penetration cannot otherwise be achieved.
6. HUNGARY: Reported American racketeering--Schoenfeld reports that there may be a real basis for widespread reports that Americans in Budapest are indulging in black market, racketeering and other illegal transactions. He points out the danger to American prestige if anti-American groups were to seize upon these activities for propaganda purposes.
7. USSR: US requests texts of economic agreements--The State Department has requested Embassy Moscow to make another effort to obtain from the Soviet Government the texts of all USSR trade agreements with Rumania, Hungary and Bulgaria.

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8. IRAN: Qavam postpones Moscow departure--Embassy Moscow reports that Prime Minister Qavam, apparently after a conversation with Stalin, postponed his departure from Moscow until 7 March.

The Shah is depressed by the non-withdrawal of Soviet troops and fears future USSR action. He believes that the Soviets will disregard Security Council disapproval and will withdraw from the UNO if the opposition is too vigorous. He considers that Britain no longer possesses sufficient power to defend his country, whose only hope, therefore, is the US.

US note to Moscow--The State Department's note to the USSR of 5 March regarding the retention of Soviet troops in Iran includes the following points: (a) this Soviet action was taken without the consent and over the protest of the Iranian Government; (b) in answer to the US proposal that troops be withdrawn by 31 December 1945, the USSR replied that the Tripartite Treaty of 1942 provided for withdrawal six months after the cessation of hostilities; (c) this commitment was not questioned at the recent meetings of the Security Council; (d) the US cannot remain indifferent to the failure of the USSR to withdraw its troops; (e) there was general agreement in the Security Council that the retention of troops by one of the United Nations on the territory of another, against the latter's will, was contrary to the principles of the United Nations; (f) the US earnestly hopes that the USSR will immediately withdraw all its forces from Iran.

9. YUGOSLAVIA: Loan of US minesweepers-- Yugoslavia wishes to accept the loan of a number of US minesweepers on lease to the British and presumably to use them for clearing Dalmatian waters. Ambassador Patterson and ALUSNA Belgrade agree that if US ships are to continue carrying UNRRA supplies to Yugoslavia, the practical benefits of the transfer may offset the political implications of turning over ships to the Tito Government.

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FAR EAST

10. CHINA: Soviet disposition of Manchurian industries--In a reply to a US note of 11 February concerning Sino-Soviet negotiations on the disposition and control of Manchurian industries, Molotov claims that enterprises "which served the needs of the Japanese Kwantung Army" may be exploited through Sino-Soviet stock companies as "trophies of the Red Army," and have no connection with reparations. Such exploitation will not lead to exclusive Sino-Soviet industrial control, he claims, since "only a portion of the industrial enterprises" will be so administered.

The State Department has directed Embassy Moscow to advise the Soviet Government that the US (a) concurs in the Chinese Government's view that Soviet claims "far exceed the scope of war booty", (b) does not accept any interpretation of war booty to include industrial enterprises, (c) cannot recognize any final disposition of Japanese external assets made without its prior approval, (d) is convinced that discussions on Manchurian industrial development should take place only after the Chinese Government has resumed administrative control over Manchuria.

11. CHINA: US Consul General sails for Dairen--Admiral Cooke has directed that the US merchant vessel SS CHECK KNOT be dispatched from Shanghai at 1300 on 6 March (Shanghai time) to transport Consul General Sturgeon to his new post. The ship should arrive in Dairen at approximately 1200 on 9 March (Dairen time). Dairen authorities are being notified via Chungking and Moscow.

## THE AMERICAS

12. NICARAGUA: Plot against Somoza--The Embassy and the Military Attache report that President Somoza's brother-in-law, Colonel de Bayle, has declared his intention to lead an attempt to overthrow Somoza within the next two weeks.

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EUROPE-AFRICA

1. GERMANY: Complications in closing DP camps--In connection with the US plan to close camps for displaced persons in the American Zone in Germany, the British Foreign Office has informed Gallman that corresponding action in the British Zone involves so many "disquieting implications" that no decision can be reached without further study. The British express particular concern over the probable reaction to such an announcement in view of the food situation in their zone. They would like to hold further discussions with US representatives in London with the aim of reaching a coordinated policy.

Meanwhile, General Clark has recommended that the War Department authorize simultaneous closing of DP establishments in both Germany and Austria, pointing out that prior discontinuance of facilities in Germany would occasion an influx of DP's across the border into the US and French Zones in Austria.

2. RUMANIA: Army to adopt Soviet doctrines--The US delegation ACC has been told by a reliable military source that the Rumanian Army will shortly adopt the military doctrines of the Soviet Army. In addition, the Army's food supply situation is catastrophic, the average daily ration consisting of about 17 ounces of bread, plus potatoes or beans. Call-up of new classes for training has been postponed until 1 May. Current poor discipline and training result from the quartering of Rumanian troops in peasant homes; most of the barracks are occupied by Soviet troops.

3. RUMANIA: King Michael requests US views--King Michael has asked the US representative for the US position on the following points: (a) Does the US expect to continue to participate equally in the implementation of steps required to give full effect to the Moscow decision regarding Rumania? (b) Does the US believe that Soviet troops will leave Rumania after ratification of the peace treaty? (c) Does the US believe that the three powers will accept whatever government is elected by the people in the coming

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elections? (d) Is it true that the US and UK wish to alter the Rumanian-Hungarian frontier line while the Russians wish to retain it? (e) After the conclusion of peace will the US be interested in establishing commercial relations with Rumania despite the existence of monopolistic Soviet-Rumanian companies?

4. HUNGARY: USSR opposes US air route--Schoenfeld reports that the Soviet envoy, in discussing with the Hungarian Foreign Minister the US request for a commercial air route via Budapest, stated that Hungary cannot grant the request because the Soviet Army controls the country's airdromes and airspace. He pointed out that no US aircraft can land in Hungary without clearance for each individual flight and that even flights over Soviet-occupied Hungarian territory must be authorized by Soviet command. In the meantime, the Hungarian Government has expressed to the US its willingness to open negotiations on the technical details of the US proposal.
5. IRAN: Soviet pressure on Iranian delegation--The State Department will protest to the USSR the continued presence of Soviet troops in Iran only upon receipt of definite knowledge that the Iranian Government has not consented to their retention. In the meantime, Embassy Moscow has been reliably informed that the Soviets are putting tremendous pressure on the Qavam delegation, demanding recognition of the autonomy of Azerbaijan, oil concessions and agreement that Soviet troops remain in Northern Iran. The last demand may be withdrawn, if the oil concessions are granted.
6. GREECE: TWA seeks domestic airline--Rankin, the US Commercial Attache at Athens, reports that TWA representatives last week presented proposals for TWA participation in the formation and operation of a domestic airline jointly with the Greek Government. The availability of US credit for equipment and TWA's prospect of capability for immediate operation (five surplus US Army DC-3's are available) strengthen the TWA position. The Greek Government is under British pressure

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either to adopt British proposals for a domestic airline or to postpone decision on the TWA proposals. Rankin expects the Greek Cabinet to give favorable consideration to TWA's proposals in the near future and urges, in this connection, the early conclusion of a permanent US-Greek air transport agreement.

7. FRANCE: French attitude on German administration--Bidault ✓ has replied to Secretary Byrnes' request of 6 February for a re-examination of the French position on centralization of German administration. Bidault's note includes the following points: (a) Fundamental US-French agreement regarding the treatment of Germany "has never ceased to exist," but views diverge over the practical measures to be taken. (b) France believes that permanent security will be prejudiced by the establishment of a central German administration prior to determination of the extent of future German territory. (c) France recognizes the need for coordinating the activities of the four zones, but considers that this could be accomplished by the Allied Control Council. (d) France suggests a four-power conference be held as soon as possible to discuss the question of central German administration and that of "western Germany", and feels that the Foreign Ministers Conference is the proper body for such deliberations.
8. FRANCE: Blum mission to Washington postponed--Caffery reports that Blum's illness and inclement flying conditions have postponed the departure of the French financial mission until after the Savannah Conference.
9. UNITED KINGDOM: Head of TUC to join National Coal Board--Embassy London reports that Sir Walter Citrine, General Secretary of the Trades Union Congress and one of Britain's ablest men, will be given a leave of absence in order to serve on the National Coal Board, an organization authorized by the coal industry nationalization bill. The appointment reflects the key importance to Britain and the Labor Government of a successfully reorganized coal industry.

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## FAR EAST

10. SIAM: British to withdraw troops--The State Department's representative in Bangkok reports that the British Commanding General has received orders to evacuate all his forces from Siam by 30 April. However, a British military-naval mission probably will remain.
11. N.E.I.: Months of chaos foreseen--Consul General Batavia reports that Dutch civilians and military representatives agree that, regardless of the outcome of the current negotiations, 18 to 24 months will elapse before Java can be pacified. All efforts will be concentrated on Java, leaving Sumatra and the other islands until later. The Consul General expects a long struggle if the Indonesians reject the Dutch proposals and anticipate protracted guerilla warfare even if an agreement is made with the Dutch on the basis of their proposals.
12. KOREA: Coast Guard vessels needed--General MacArthur reports that the need for furnishing vessels and supervisory personnel to the Korean Coast Guard is urgent. The current smuggling of rice from Korea to Japan must be stopped, he adds; and it is US interest to equip and provide personnel for the Coast Guard now rather than to delay to a later date "when the Soviets may insist on participation."
13. KOREA: Depletion of rice stocks imminent--General MacArthur reports that a check of rice stocks indicates that Korea will have no rice in July, August and September if the present rate of consumption continues.

## THE AMERICAS

14. ARGENTINA: Election count inconclusive--Embassy Buenos Aires reports that election returns are still spotty and inconclusive. No reliable trend will be apparent until after 11 March when the count for Buenos Aires Province begins. It is clear, however,

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that there will be no Democratic Union landslide. Should Timborini win, he will probably have to contend with a Peron-controlled Congress.

15. HAITI: Views on recognition--The State Department reports that of seventeen Republics consulted, five appear to be in favor of recognizing the Haitian Junta, four are reluctant on the ground that the Cabinet is wholly military in character and eight are reserving their opinions.

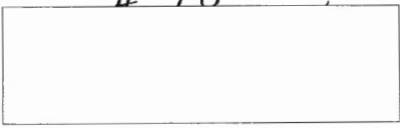
The State Department feels that prolonged withholding of recognition may have an adverse effect. It therefore has advised US missions in Latin America to inform the various Foreign Ministers of its belief that the Junta (a) is maintaining order, (b) appears to enjoy popular support, (c) has scheduled elections for not later than 12 May and (d) has pledged fulfillment of Haiti's international commitments.

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GENERAL

1. Azores airports--British Foreign Office officials have discussed with Dunn the question of military and commercial use of Azores airports. They do not consider that there would be any particular difficulties connected with commercial use and feel that the question of military use in time of war can easily be worked out when necessary. However, they feel that careful consideration must be given to the question of military use in time of peace and suggest that the US draw up a statement of its minimum requirements for discussion with the British before presentation to the Portuguese Government. The British view is that the airports would be commercial, with a side arrangement for staging US or UK military planes en route to distant bases, but no troops or military planes would be stationed in the Azores.
  
2. US restricts movements of German scientists--Pending the determination of steps that should be taken (for reasons of US military security) to prevent the exploitation by other nations of German scientists and technicians, the JCS have directed General McNarney to prevent the departure of such personnel (estimated at about 1000) from the US Zone, except as required by existing arrangements with the UK.
  
3. Soviets offer wheat to France--The French Minister of Food has informed the US Consul at Lyon, in strictest confidence, that the USSR has offered France 200,000 tons of wheat "for almost immediate delivery" from stocks built up on the Soviet-Iranian border at a time when military action appeared imminent. The Minister feels that the purpose of the offer is political and that its acceptance might result in important Communist gains in the coming elections.

In forwarding this information, Embassy Paris urges that the US make a "firm and immediate allocation" of wheat for France from supplies under US control, since a firm offer by the Soviets could not be refused by the French in view of their desperate need for wheat and public knowledge of the world-wide deficit.

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4. GERMANY: Firmer stand by US on centralization urged-- Murphy believes that a more aggressive stand should now be taken in favor of establishing German central administrative agencies, as agreed at Potsdam. He calls attention to the fact that German Communist leaders in the Soviet Zone are insisting upon a united Reich and retention of the Ruhr. Thus, Murphy points out, French obstructionism on the centralization issue permits the USSR to exploit "western resistance to a united Germany" and to emerge later as the champion of a united Germany whose only salvation would lie with the Soviet Union. He suggests the possibility of withholding cooperation from the French in other fields until they change their present attitude.
5. GERMANY: Report on displaced persons--General McNarney reports that since the entry of US troops on German soil in 1944, over 5,500,000 persons have been returned to their home countries through the efforts of SHAEF and the US Zone Commander. More than 400,000 displaced persons, however, still remain in the US Zone, including a small number who may be classified as belonging to persecuted groups.

Prospects of forcible repatriations to USSR--The 3rd Army reports that of some 3,000 Soviets just screened in the US Zone of Germany about 1,800 are eligible for forcible repatriation under the Yalta agreement. US military authorities view the prospect with foreboding, in view of the numerous suicides and attempted suicides expected and the probable reaction of US soldiers to such developments.

6. GREAT BRITAIN: US loan--Ambassador Winant has submitted to the State Department a detailed analysis of the probable effects on British and world trade in the event the US Congress refuses to approve the proposed loan to Great Britain.

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7. GREAT BRITAIN: Officials frustrated by Polish troop question--  
British Government officials have told Ambassador Winant that they are "frustrated and exasperated" by recent developments concerning the Polish troops. Vigorous representations have been made to the Polish Government regarding its 14 February note demanding the release of all Polish troops under British control. The British Foreign Office believes that the Polish Government does not want the troops returned to Poland before the elections. Winant also reports strong official and public support in England of a proposal to grant British citizenship to Poles who do not wish to return to Poland.
  
8. RUMANIA: Government to turn over mapping information to USSR-- ACC Rumania has transmitted a report from a [redacted] [redacted] that the Soviets have been trying for more than six months to obtain (through their ACC channels) certain official survey and mapping information on Rumania. The Rumanian Minister of Justice has now given instructions that triangulation points throughout the country are to be turned over to the USSR. This information has great military value in computing firing data for large guns and in aerial navigation. (b)(1)  
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9. BULGARIA: Failures in armistice fulfillment-- General Crane expects that the Soviets, at the ACC meeting of 28 February, will request the US and UK delegates to sign a joint US-UK-Soviet paper acknowledging that Bulgaria has fulfilled all armistice requirements. General Crane will refuse to sign such a statement, if it is presented, because he considers that the armistice agreement has not been fulfilled. Return of property in Bulgaria to US citizens and companies has been extremely slow, and the Soviets have not yet even acknowledged receipt of lists of unreturned US property submitted to ACC.
  
10. SPAIN: Monarchists lose hope of Franco-Don Juan agreement--  
Even key monarchists in Spain are reported by US Charge Butterworth to admit the impossibility of an immediate agreement between Franco and Don Juan. They believe that Franco may press the Portuguese Government to ask Don Juan to leave the country. Franco's concern over increased monarchist activities

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within Spain have already resulted in reprisals against several prominent Spaniards of known monarchist sentiments.

## FAR EAST

11. JAPAN: SCAP opposes separate Reparations Commission--General MacArthur feels that the Far Eastern Commission is entirely adequate to perform the functions of the proposed Reparations Commission and recommends that no separate agency be created. Commenting on the proposal for interim reparations removals from Japan, MacArthur recommends that directives to SCAP prescribe the proportionate industrial capacity to be removed and that the selection of individual plants and the timing of their removal be left to his discretion.
12. JAPAN: Merchant shipping tonnage--General MacArthur reports that on 25 February there were 517 operable Japanese merchant vessels with a gross tonnage of 662,124. In addition, 122 previously operable vessels and 108 previously inoperable vessels were undergoing repairs, bringing the potential gross tonnage to 1,168,464.
13. FRENCH INDOCHINA: French troops in Tonkin--According to the State Department representative in Hanoi, the Chinese contend that a French force of 5,000, failing to follow the route to Laos prescribed by the Chinese, has split up into three columns, two of which are now headed toward Hanoi. They are advancing southward from the Chinese frontier against some Annamese opposition.
14. CHINA: Proposed landing of US consuls at Dairen--On 25 February, General Marshall questioned the advisability of US consuls proceeding to Dairen by Navy destroyer. Admiral Cooke agrees that using a destroyer is inadvisable at this time but considers that since Dairen is an open port in Chinese territory, we should exercise the right to enter it as a matter of course with a merchant-type ship in a non-provocative manner. In Admiral Cooke's opinion, the US should be "prepared to insist, using force if

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necessary, upon the exercise of this natural right."

15. SEVENTH FLEET: Prospective shortage of lighterage craft-- On the basis of presently scheduled withdrawal and disposal of LSM's, Admiral Cooke anticipates that only 19 such craft will remain available to him on 15 April, as against an estimated need for 36 (North China, 10; Korea, 8; Japan, 18). He recommends a modification of schedules to permit him to retain the desired number.
16. SIAM: The British Naval Mission to Siam, according to ALUSNA Bangkok, appears to have the following primary objectives: (a) to offer technical assistance to Siam's Navy, (b) to select Siamese naval officers for training in Britain, and (c) to collect operational intelligence in the area. The Mission has not been, and will not be, requested by Siam, and currently appears contrary to the terms of the British-Siamese peace treaty.
17. INDIA: Task of Cabinet Mission--Official British sources have emphasized to Winant the wide latitude accorded the Cabinet Mission to India to make decisions on the spot in order to save vital time and to demonstrate the earnestness of British intentions. They declare that the Mission's main task is to find a common basis upon which representative Indian leaders can work to set up a constitution-making body and a new executive council. An obvious stumbling-block is posed by the demands for Pakistan, which are believed to have gained such momentum that even Jinnah could not "apply the brakes." CG IBT notes that the elections will give India's 90 million Moslems a clear majority only in Punjab and possibly Bengal. He suggests that the League might resort to a holy war affecting the entire Moslem world, since it has repeatedly announced its refusal to tolerate Hindu rule.

#### THE AMERICAS

18. ARGENTINA: British position--Foreign Secretary Bevin says that the British Government is unable to make a supporting statement on the Blue Book, since such a statement would look like

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intervention in the internal affairs of Argentina.

19. ARGENTINA: Blue Book reaction summarized--Official reaction among the American Republics has been generally reserved. A number have been silent. Fears of repercussions, or of a hemisphere split, have been expressed in Chile, Colombia, Cuba, Paraguay and Peru. However, Brazil, Venezuela and Costa Rica will follow the US lead, and latest reports indicate that Uruguay may do likewise.
20. BRAZIL: Decommissioning of Naval Operating Base at Rio--Ambassador Berle has been authorized to tell the Brazilian Foreign Office that the US Navy expects to have the operating base at Rio de Janeiro decommissioned by the end of April.
21. FRENCH GUIANA: Senegalese troops revolt--The CG, Antilles Department, reports that 180 armed Senegalese troops in Cayenne have revolted and have seized all the ammunition. The Governor has appealed for help to the US Base Commander, who has been directed by CG, Caribbean Defense Command, to use the 200 US troops only to protect US lives and property on the base at Rochambeau field. No trouble is expected at the base proper.

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