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SECURITY INFORMATION~~

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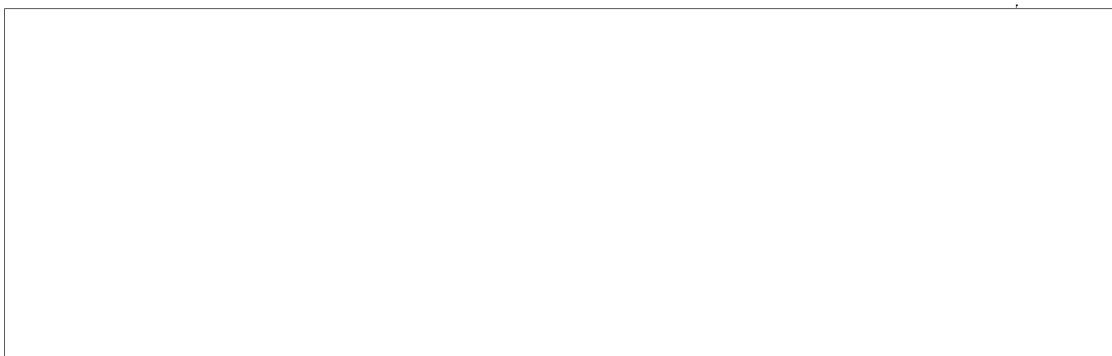
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**GENERAL****1.**

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**SOVIET UNION****2. Cash returns to Soviet State Bank below planned levels:**

[Redacted]

An order from the Soviet Minister of Finance on 17 March directed the subordinate branches of the State Bank to take measures for increasing revenues by improving the collection of taxes, payment of loans, and by increasing retail sales, all of which were below planned levels for the first half of March.

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Comment: [redacted]

[redacted] loans and taxes, particularly those levied on peasants, were not being collected as scheduled. Income of agricultural workers has fallen off significantly owing to the ten percent tax increase on their private earnings imposed last August and the raising of work norms by the State. Heavier work schedules have reduced the time spent on private plots of land and thus caused a drop in monetary income [redacted]

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## FAR EAST

3. India agrees to facilitate Chinese grain shipments to Tibet:

The American Embassy in New Delhi has been reliably informed that the Indian Government has indicated willingness to allow the shipment of 1,500 tons of Chinese grain to Tibet by way of India.

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India has, however, rejected a Peiping proposal to ship 10,000 tons of food and other supplies to Tibet via India and to sell grain to India. New Delhi took the view that the request for transit facilities should not be tied to the grain offer, and that in any case Tibet's transport facilities were inadequate for handling such large quantities.

The Embassy assumes that Peiping will accept the Indian offer quickly in order to relieve a serious food shortage in Tibet.

Comment: The Peiping regime has been expected to seek Indian cooperation in alleviating the food shortage in Tibet.

India's partial compliance with the Peiping request was presumably designed to conciliate Communist China without contributing substantially to Chinese strength in Tibet.

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## 4. French peace overture to Viet Minh expected

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French

Premier Pinay is convinced of the necessity of ending the fighting in Indochina at an early date. Two French emissaries are soon to meet in Europe with representatives of the Viet Minh and probably also with representatives of the Chinese Communists to discuss possibilities of an armistice.

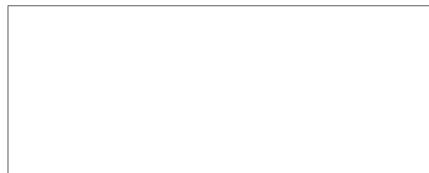
Comment: Rumors of this sort have been reported from various countries during the past few months. A report in the 11 May issue of a French weekly claimed that a high French official had met a brother-in-law of Mao Tse-tung in Geneva to discuss Indochina.

Various French officials have categorically denied any intention of making armistice overtures to the Viet Minh. Minister Resident Letourneau recently repeated these denials, but also stated that the door to some sort of arrangement with the Viet Minh has not been closed.

## NEAR EAST - AFRICA

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## 5. Britain fears consequences of attempt to exclude USSR from Tangier:



After serious consideration, the British Foreign Office has abandoned the idea of excluding the USSR from the Committee of Control in the International Zone of Tangier because of the impossibility of maintaining the secrecy necessary to prevent the USSR from making a counter move.

The British believe that Spanish participation in the administration could be increased without arousing Soviet interest in assuming its seat on the Committee of Control.

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**Comment:** Under the 1945 bilateral French-British agreement establishing the present provisional administration in Tangier, the Soviet Union as well as the United States was awarded a seat on the Committee of Control, which is the ultimate authority in Tangier. The USSR has thus far refused to sit on the same council with a representative of the Franco regime, but the Western powers fear that it might exercise its prerogative and thus establish a foothold in this strategic area.

## WESTERN EUROPE

**6. Austrian Foreign Minister reportedly plans visit to Yugoslavia:**

Austrian Foreign Minister Gruber reportedly plans an official visit with Marshal Tito at Bled about 20 May. Discussions would include Austro-Yugoslav trade relations,

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Austrian prisoners of war held in Yugoslavia, the opening of more border-crossing points, and a cultural exchange treaty.

**Comment:** A meeting between Gruber and Tito, to discuss an Austro-Yugoslav "military understanding" among other things, was reportedly considered by the Vienna and Belgrade governments last September. This meeting, which was strongly opposed by the US Legation in Vienna, failed to materialize.

The Communist press in Austria is likely to interpret a Gruber-Tito meeting as further "proof" that both countries are linked to Western defense planning.

**7. Only minor Communist demonstrations expected in Berlin:**

Although the US High Commissioner's Office in Berlin has expected Soviet-created "difficulties" over signing of the Allied-German contractual agreement, it reports that intelligence and police agencies have uncovered nothing more tangible in the way of specific Communist plans than the fact that the East and West Berlin Socialist Unity Parties intend to demonstrate on 20 May.

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American officials in Berlin still anticipate an increasing number of incidents before, and possibly after, the signing of the contractual agreement, but feel that the situation can be regarded with "calmness."

**8. East Germans reportedly organizing defense ministry:**

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American army headquarters in Germany considers that the provisional appointment of Willi Stoph, former chief of the East German paramilitary police procurement agency, to head the Ministry of the Interior may be merely a "convenient cover" for Stoph and several of his associates while they organize a defense ministry. The new ministry might be formally announced upon the ratification of the Allied-West German contractual agreement.

Comment: According to several recent reports of unknown reliability, various high-level specialists have been transferred from other East German government agencies to the Ministry of the Interior for the purpose of organizing a defense ministry. Heinrich Rau, who became a Soviet citizen in 1935 and led a Communist brigade in the Spanish Civil War, is mentioned as the government's choice to head the new ministry.

## LATIN AMERICA

**9. Argentina fabricating charges of United States plot:**

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A former OSS agent of Czech-Argentine nationality has stated that he was arrested and interrogated along lines which convinced him that the Argentine police are "all out to uncover a plot by the United States." He added that large numbers of people are being questioned, and that this will later receive wide publicity.

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When the US Embassy asked the Foreign Minister why two Argentine employees of the US International Education service had been arrested, he replied vaguely that he "hoped to show the Embassy something soon."

Comment: Government-controlled newspapers and Peron's recent speeches have emphasized the theme that foreigners, directed by the United States, are plotting against Peron. The police are apparently now trying to collect "evidence" to prove American interference in Argentine affairs and possibly to justify a demand that all USIE activities be terminated.

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