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3 April 1951

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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Gromyko reported anxious to proceed with CFM negotiations:

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[Redacted] US delegate Jessup reports an impression received at an informal four-power meeting that Soviet delegate Gromyko is very anxious to have some Western draft agenda in writing which he could submit to Moscow. Jessup also reports his impression that, when no Western draft was forthcoming in response to the 28 March proposal of the USSR, Gromyko was instructed to introduce the Atlantic Treaty item in order to counteract any impression of Soviet weakness and unlimited concessions. Gromyko also manifested interest in whether the first Soviet agenda item would be acceptable if reworded so as to show that "German demilitarization" could be either a cause or an effect of present international tensions in Europe.

Comment: The Western Powers planned to introduce a revised version of their draft agenda at the 2 April meeting of the delegates. Gromyko's reported attitude may be indicative of his apprehension that the Soviet Government is not satisfied either with his conduct of the negotiations or with their progress.

2. British seek solution to Iranian oil problem:

[Redacted] The US Embassy in London reports that UK Government officials are now genuinely alarmed over the prospects of losing British investments in Iran and oil supplies considered vital to the British economy. The Foreign Office regards more liberal financial terms to Iran as necessary, and is pressing the Anglo-Iranian Oil Company in that direction. It also recognizes that British policy must at least pay lip service to the principle of nationalization. At the same time, however, the Foreign Office thinks the relinquishing of the title to the oil properties would be dangerous and continues to believe that negotiations with Iran will be useless until a strong government has come into power. The Foreign Office has further indicated that if efforts at persuasion in Iran are unsuccessful, it is prepared to consider pressure, beginning with financial measures and possibly, if British lives

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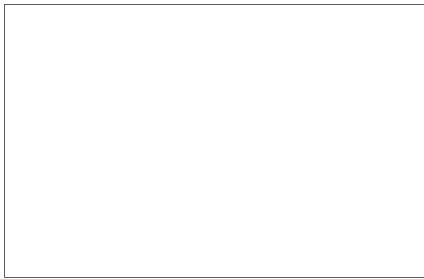
were endangered by a threatened seizure of the oil properties, extending to the transfer of British troops to a nearby base in Iraq.

Meanwhile, the Foreign Office is attaching great importance to high level US-UK talks on the subject scheduled to begin in Washington on 9 April, and has expanded the UK delegation to include representatives from the Treasury and the Ministry of Fuel and Power in an effort to emphasize the importance to Britain of Iranian oil and of US support on this issue.

Comment: The British Foreign Office will find it difficult to persuade the Anglo-Iranian Oil Company to agree to proposals that would even pay lip service to the nationalization of the Iranian oil industry. At the present time there is little likelihood of the emergence of a strong Iranian Government with which the British could negotiate. In addition, it is not clear how the British believe they could effectively exert pressure on the Iranian Government without inflaming Iranian public opinion to such an extent that a settlement satisfactory to the British could not be reached.

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3. Steel rails from France find way to Communist China:



According to information from US Embassies in Brussels and Paris, a recent shipment to Communist China through Antwerp of 2500 metric tons of French steel rails is probably part of an order totaling 16,000 tons of rails and 480 tons of fittings ostensibly for delivery to Venezuela. The US Embassy in Paris surmises that the funds for

this transaction originated in the Soviet sector of Berlin. It doubts that the French Government was aware of the ultimate destination of the shipment already forwarded, inasmuch as the initial French purchasers acted through a Lichtenstein firm and the financing was handled by a Swiss bank.

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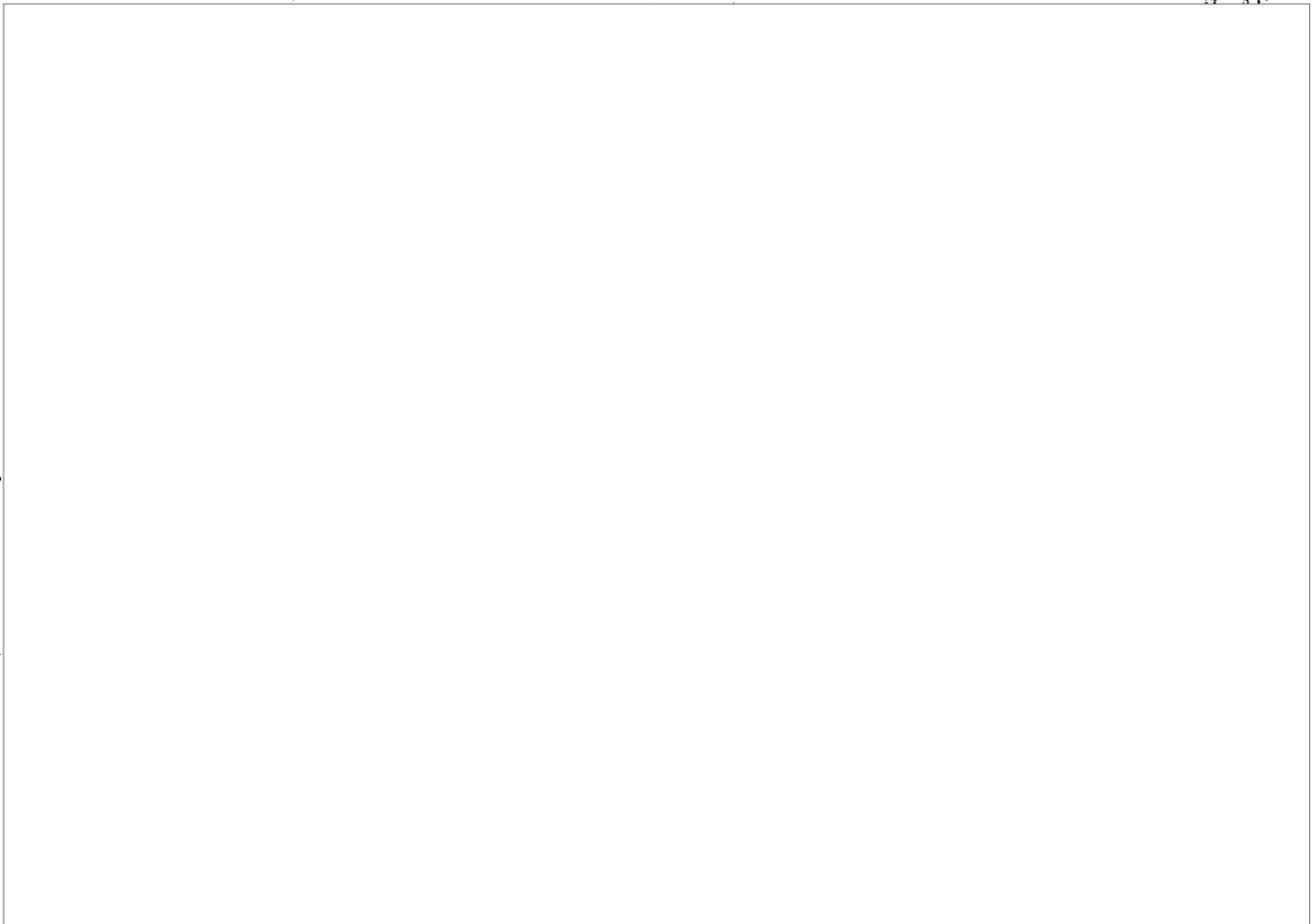
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Comment: In January 1951, as the result of urgent US representations, the French Government prohibited further licenses for the export of any steel products to Communist China. While no steel rails for China had been manufactured at that time, orders for over 28,000 metric tons of other steel products had already been filled.

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NEAR EAST**EASTERN EUROPE****5. USSR ships grain to Czechoslovakia in excess of Czech needs:**

On 15 March, Czech President Klement Gottwald stated at a meeting of the Central Committee of the Czech Communist Party

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that the USSR will ship 155,000 metric tons of bread grain to Czechoslovakia before the end of May and 600,000 tons more before the next harvest.

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LATIN AMERICA

6. Violence breaks out in Ecuador:

During a 31 March parade of students, 3.3(h)(2) laborers and leftist political parties in Quito, a crowd attacked mounted police with stones. The police in turn fired on the crowd, killing two people and wounding fifteen. Although the US Embassy in Quito has reported that the demonstration was probably a peaceful protest against

mishandling of earthquake reconstruction funds,

some of the rioters may have been associated with a facist-inclined politico-military faction (the Guevara group) which has been planning the overthrow of the government for some time. The presidential palace has reportedly been placed under heavy armed guard, and the streets are now patrolled by the army and police.

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Comment: There is evidence that the alliance between the two most powerful revolutionary factions in Ecuador (the followers of Guevara and those of the Liberal-Radical leader Mancheno) has been strengthened in the past few months, but it is doubtful that this alliance has sufficient strength to overthrow the government at this time.

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