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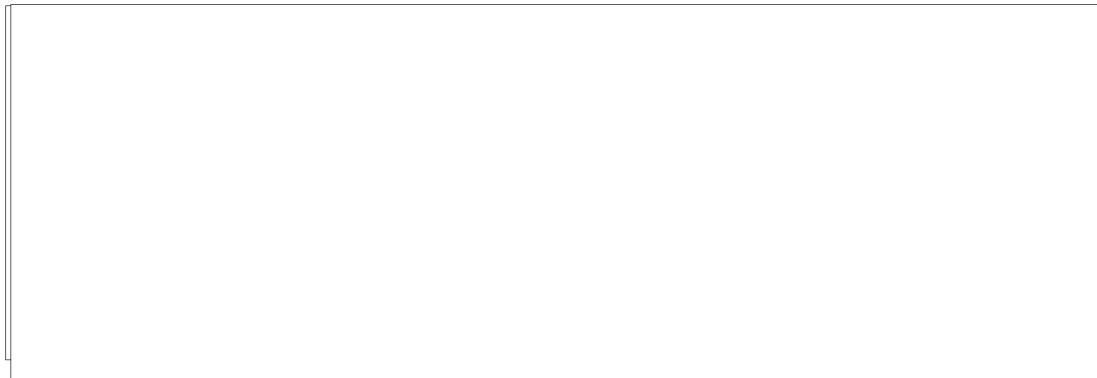
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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GENERAL

1. London embassy comments on British positions for Washington talks:

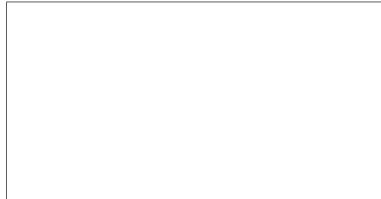
The American embassy in London believes 3.3(h)(2) that Lord Salisbury, the acting foreign secretary, will endeavor in Washington to keep the door open for four-power talks. Although, except for Churchill, British officials estimate that East-West talks would end in failure, they consider them necessary to prevent the growth of neutralism. They feel, however, that such talks should not be held before the West German elections in September and French ratification of the EDC treaty.

The British are considered ready to join the United States in pinning the French down to a firm timetable on ratification, but they are not yet prepared to consider an alternative to the EDC.

The British are willing to give Communist China hope of eventual UN membership and relaxed trade controls in return for Communist concessions in a postarmistice political conference on Korea.

Salisbury is also expected to press for American representations to the French for more aggressive military action in Indochina and for the widest possible political concessions to the Associated States.

On the subject of negotiations with Egypt, Britain will probably urge a common Anglo-American line of action, with the United States taking the lead in bringing the parties together.

2. French seen as undecided about pressing for four-power talks:

The American embassy in Paris reports 3.3(h)(2) that the French Foreign Ministry, in preparing for the Washington talks, apparently

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has not yet reached a decision on whether the West should push for four-power talks on Germany or await a Russian initiative.

A Foreign Ministry spokesman told the embassy, however, that EDC ratification by France is practically impossible until French public opinion is convinced that four-power talks have failed to achieve results or have become impossible because of Soviet inflexibility.

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3. Moscow proposes new ambassador to Iran:

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Comment: Lavrentiev is one of Moscow's top diplomats and has held a number of key foreign affairs posts both in Moscow and abroad. Since World War II he has been ambassador to Yugoslavia, Czechoslovakia and Rumania. He is to replace a man whose experience is almost entirely confined to Iranian affairs.

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SOVIET UNION

4. Bohlen's analysis of new Soviet policy:

Ambassador Bohlen considers that Soviet moves since Stalin's death have a cumulative significance greater than another peace campaign to divide the West. He predicts, however, that there will be no change in the USSR's basic hostility to non-Communist countries unless it is preceded by a change in the basic structure of the Soviet dictatorship.

3.3(h)(2)

The ambassador assumes that the present moves stem from a fear held even before Stalin's death that the international situation was leading toward general war, which the USSR was most anxious to avoid. His death offered an opportunity to use methods hitherto impossible. The change in tactics may also have been inspired by internal economic strains, coupled with the political necessity of concessions to the material well-being of the people.

With regard to foreign relations, Bohlen points out that it is too soon to speculate on what substantive concessions may be made, but that recent moves seem primarily designed "to jettison Stalin's more senseless and unproductive positions" and to prepare for some serious diplomatic action.

The new policy in East Germany apparently sprang from a recognition of the bankruptcy of the "forced-draft" Sovietization policy. The new leadership possibly also desired to place the Soviet government in a better political position for serious discussions on Germany's unification, with the continuing objective of preventing its rearmament and incorporation into the European defense system.

5. British Foreign Office views on position of new Soviet regime:

The British Foreign Office believes that the new Soviet regime wishes a respite from tension, both at home and abroad, in order to consolidate its position inside the Orbit.

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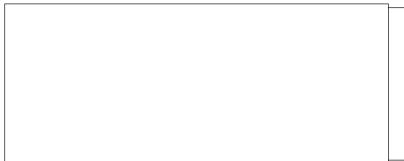
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The new leaders may also calculate that flexible and cautious tactics will be more successful in dividing Western governments and lulling Western peoples into a false sense of security.

The Foreign Office does not believe, however, that the Kremlin contemplates any real loosening of its hold on East Germany or a modification of its terms for a German settlement. Nor does it consider that the new Soviet tactics are impelled by a feeling of weakness or discord among the top leadership, any change in basic objectives, or increased fear of a threat from the West. The Foreign Office holds that recent disturbances in East Germany and other Satellites represent a serious setback for the USSR but do not mean that "Soviet power is crumbling."

SOUTHEAST ASIA

6. Laotian official worried by Viet Minh threat:



The Laotian defense minister, en route to Paris to advise the crown prince and prime minister in the forthcoming talks with the French, showed no eagerness in discussions on 7 July with Ambassador Heath in Saigon to have Laos take over French military responsibilities. He emphasized that it was far beyond the ability of the Laotian army to meet the Viet Minh threat, even with the additional seven battalions which are planned.

3.3(h)(2)

He expressed serious concern over the possibility of renewed Viet Minh action in the near future, referring to the four enemy battalions still in the Luang Prabang area.

Comment: There is a strong probability that the Viet Minh will renew its campaign in Laos after the end of the rainy season in October. In recent weeks the French have reduced the strength of their major outposts in northern Laos.

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7. British see Indochina drifting toward disaster:

The American embassy in London reports that [redacted] British officials at the forthcoming tripartite talks in Washington will take a pessimistic view of the Indochina situation, both military and political. They believe the French proposals of 3 July were probably too late and that, in any case, they were merely an offer to negotiate what was promised more than four years ago. They foresee only further deterioration and perhaps disaster if the situation is allowed to drift much longer.

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EASTERN EUROPE

8. Mob violence reported in Rumania:

A crowd of four or five hundred persons [redacted] demonstrated and attacked police in Bucharest [redacted] on 30 June [redacted]

3.3(h)(2)

[redacted] The demonstration began when an angry crowd which had been waiting for hours in front of a store began throwing rocks. The police fired on the crowd, killing five and wounding fifteen. Two of the policemen were killed, and one was injured.

Comment: [redacted]

[redacted] the severe food shortage in Rumania has caused considerable popular resentment, and that market place crowds in Bucharest have been

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in a sullen mood. In an effort to alleviate shortages, the Rumanian government announced last week that its collectivization program will be relaxed, and that, if necessary, reserve food stocks would be distributed throughout the country.

9. Czech government rumored preparing to allow private businesses to reopen:

Rumors are circulating in Prague that the Czech government recently offered to advance credit and material to permit former retail store owners and small-scale consumer goods manufacturers to reopen their businesses. 3.3(h)(2)

The embassy believes that the Kremlin undoubtedly prompted the repeal on 6 July of the week-old decree specifying stringent measures to combat labor absenteeism. This action may presage further relaxations.

Comment: The reopening of private retail stores and consumer goods manufacturing plants would mark a significant reversal of the Czech regime's socialization program and would reflect the critical problems it faces in fulfilling the need for consumer goods. Virtually all Czech domestic trade has been nationalized since 1951.

WESTERN EUROPE

10. Churches believed unable to handle food shipments from West to East Germany:

Commenting on Chancellor Adenauer's draft request to President Eisenhower for American aid in the program of food shipments to East Germany, Ambassador Conant expresses the 3.3(h)(2)

view that the churches do not have adequate facilities or funds to handle shipment and distribution. They could, however, participate in a general supervisory capacity.

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Conant believes the Federal Republic might undertake direct food shipments to the East German government, being reimbursed later by shipments of American surplus supplies. He estimates that over two thirds of East Germany's 18,000,000 people are seriously in need of food.

Comment: Any Western offer of food would probably be rejected at Moscow's order. In February 1951 the East German government, embarrassed by the work of Evangelical and Catholic welfare agencies in distributing food and assisting refugees, curtailed their activities.

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