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CENTRAL INTELLIGENCE AGENCY

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1. Russia not expected to demand reparations at San Francisco:

The Department of State does not share Philippine concern that Soviet maneuvers at San Francisco will revolve around the reparations issue. The Department points out that

Soviet proposals, which Gromyko has indicated will be renewed at San Francisco, so far have been wholly geared to winning favor in Japan. In particular, there have been no suggestions in prior Soviet notes that Japan should pay reparations. The Department further observes that since India also opposes reparations, efforts of Indonesia and Burma to form a common front with India in this respect have not succeeded.

Comment: The USSR may be hesitant to raise the reparations question because Soviet postwar removals from Manchuria presumably created a delicate issue between the USSR and Communist China.

3.3(h)(2)

US Minister in Saigon urges presence of Indochinese states at San Francisco conference:

In view of the Soviet decision to take part in the Japanese peace treaty conference, US Minister Heath believes that the issue of the Associated States' participation has been intensified, and that failure to invite them is "less than ever defensible."

Heath believes that in addition to wedge-driving on larger issues, the Russians may defend the legitimacy of the Ho Chi Minh government, recall Vichy's and Bao Dai's wartime collaboration with the Japanese, and challenge the Western nations to submit the Vietnam problem to elections or international investigation. Moreover, the Russians may bid for French support of their overall position at the conference, by dangling before the French the prospect of a Chinese Communist guarantee for the Tonkin frontier.

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3. French backing hinted for Chinese Communist UN bid:

[Redacted]

France's Deputy Permanent Representative to the UN has expressed the "personal view" that France would be strongly tempted to vote for the admission of the Chinese Communists to the UN if they held out the prospect of a "Kaesong in Indochina." He inquired whether the US would modify its position on admitting the Chinese in the event of a Korean armistice.

Comment: While the French have been extremely desirous of obtaining some form of non-intervention guarantee for Indochina, this feeler is the strongest intimation that France would consider bargaining with Communist China on its admission to the UN.

3.3(h)(2)

4. Indonesian Government undertakes forceful anti-Communist action:

[Redacted]

Military police in the past few days have arrested several hundred people including some high officials of the Ministry of Labor, Communist Party chieftains and leaders of several Communist unions. The police also searched the offices of the Communist Party and the Communist labor unions and the homes of several Parliament members.

Comment: Serious incidents of apparently coordinated violence throughout Indonesia from 4 to 6 August -- including an attack on the Djakarta port area by 200 to 300 men wearing Communist insignia -- have alarmed the Indonesian Government sufficiently to force it to take strong action for the first time against the Communists.

These developments, in addition to reported Communist plans for nation-wide demonstrations on 17 August, led the cabinet to order drastic action "within the bounds of existing laws and regulations" against "anti-national movements."

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"Conservative" Indonesians have stated, however, that unless sufficiently serious incidents continue, it is doubtful that the government will persist in its forceful policy and that the Communists will be permitted to develop their strength unopposed.

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WESTERN EUROPE

3.3(h)(2)

6. Italians outline plans for Italian peace treaty revision:

[Redacted]

The Italian Ambassador in London proposes to recommend that his government again press the US for revision of the Italian peace treaty of 1947 and, at the same time, offer to take the initiative in approaching Yugoslavia regarding a compromise on the Trieste issue. The Italian Foreign Office is concerned lest the French try to confine revision to the military clauses alone, an arrangement which Italy would consider inadequate and unacceptable.

The Foreign Office believes the matter should be dealt with in two stages: first, a declaration by the three Western powers that the spirit of the treaty is no longer applicable, and, secondly, an examination of the treaty to see which clauses should be altered. It feels a simple UN Assembly resolution in support of whatever action was taken might be useful.

Comment: Italy primarily desires a general abrogation of the treaty, because it is a punitive instrument detrimental to Italian international prestige. Despite its complaints on the subject, the government has comparatively little interest in a revision of the military terms, since they are already being ignored, with the Italian Army, Navy and Air Force all over treaty strength. The specific issue of most interest to Italians is their claim to the Trieste area.

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