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COPY NO. 39

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

MAY 1 1951

Date: _____

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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DIA AND DOS REVIEW COMPLETED

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SECTION 1 (SOVIET)

"B" USSR. Emphasis on Scrap Metal Drive Continues - Embassy Does Not Consider it Significant. In addition to the early March attention (OCI Daily Digest, 28 Mar 51), the Moscow Radio has recently carried two broadcasts on scrap metal: (1) A 19 April talk by Vodnev, Deputy Minister of Ferrous Metallurgy, reiterating the need for scrap metal collecting; and (2) a 23 April broadcast of a PRAVDA editorial "For a new upsurge of ferrous metallurgy."

25X1 [REDACTED] An Embassy Moscow dispatch notes that the Soviet press initiated the campaign to collect various scrap materials, particularly metals in March. A two-column article and an advertisement were run in Vechernaya Moskva, Moscow's evening paper, on 21 March, and PRAVDA's 22 Mar editorial gave the official theme which was undoubtedly picked up and elaborated in the provincial press. The March issue of the Bloknot Agitatora, the official handbook for Party agitators, devoted ten pages to the collection of scrap ferrous and non-ferrous metals, calling upon Party agitators, the general working public, housewives, janitors, Komsomols, Pioneers and school children to assist in the collection. [REDACTED]

25X1 [REDACTED]. FIELD COMMENT: The Embassy comments that from observations the Soviet economy is not yet making extensive use of scrap materials. For example, "seen around Moscow are old army tanks, old railroad rails used as fences, and the frameworks of fallen power transmission towers." The Embassy concludes that drive may be a minor variation of the larger and persistent campaign for better utilization of materials which has been in progress since Dec 1950, but beyond this does not believe that there is special significance in the present scrap collection campaign.

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"B" EASTERN EUROPE. CZECHOSLOVAKIA. Permission to Visit Oatis Refused. The Czechoslovak Ministry of Foreign Affairs has informed the US Embassy in Praha that according to existing law, permission to visit Oatis cannot be granted at this time. The Ministry also advised that according to Czechoslovak regulations, Oatis has the right to name a lawyer of his own choice, provided, however, that the lawyer is qualified to act as a defense attorney before Czechoslovak tribunals. Ambassador Briggs notes that this communication has reduced any remaining prospects that the Czechoslovak Government might be persuaded to release Oatis or to expel him without trial. Briggs suggests that the least possible publicity at this time would be most helpful to Oatis, especially since sensational treatment of the story might serve merely to raise Czechoslovak ransom expectations.

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"B" POLAND. US Offer Strengthens French Position in Polish Trade Negotiations.

In an effort to prevent French acquiescence to Polish demands for 200 tons of ferro-molybdenum and 15 tons of ferro-nickel made during current Polish-French trade negotiations, the US Government has indicated its willingness to back France's refusal to inclusion of these metals in the agreement. Should the Poles stand fast, the US recommends that the French call Poland's bluff and refuse to continue negotiations. If the Poles do not back down, ECA will make the necessary program adjustments to replace Polish coal needed by France, which would constitute approximately

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eighty percent of Poland's exports to France. The French ECA program for 1952 already contemplates replacing approximately one-half of the coal now imported from Poland in order to force down Polish prices and strengthen the Western bargaining position with the Soviet orbit.

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[REDACTED] COMMENT: The Poles have given the French the impression that refusal to include ferro-molybdenum and ferro-nickel in the pending agreement would result in curtailment of the Polish coal exports which are essential for French industry. However, with US backing, the French position is greatly strengthened, and that of Poland correspondingly weakened.

"C"

RUMANIA. Collectivization Efforts Pushed. Recent internal propaganda in connection with the forthcoming local elections in the Rumanian Communist Party organization has stressed the importance of the role of Party members as militant initiators and organizers of "all the successes of our people's democratic regime." The local organizations are incited to elect "men capable of leading the workers who fight for the development of Soviet stakhanovism." Party organizations are being exhorted to give full aid to collective farms and to convince others to join. [REDACTED] COMMENT: During the early months of 1950 when the extent of cooperative farms in Bulgaria approximated the present level in Rumania (10% of the arable land), Bulgarian Communist Party members received the same militant exhortations. At the present time 52% of Bulgarian arable land is "cooperativized," but the local Party organizations are now undergoing a vast purge as a result of the Communist hierarchy's necessity to placate the internal unrest resulting from the year-long collectivization drive. The present propaganda line in Bulgaria is soft-pedaling the "militancy" being stressed in Rumania and has substituted such themes as - "be taught by the non-Party people and treat them as equals".

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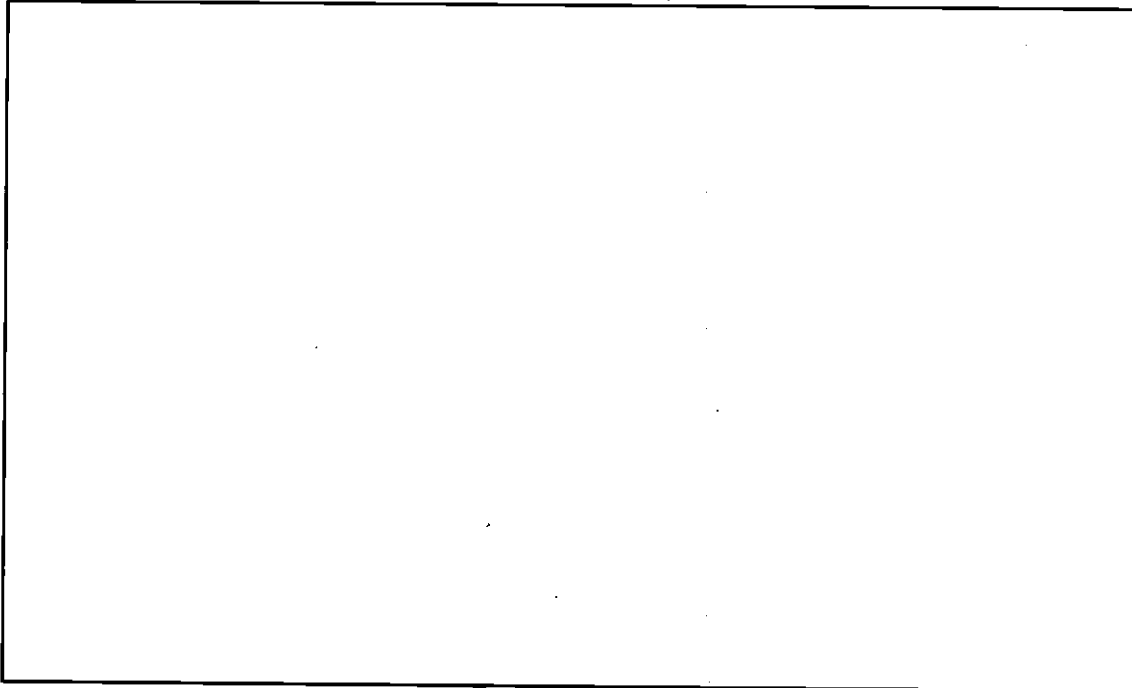
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SECTION 2 (EASTERN)

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"B" KUWEIT. Sheikhdom Requests Increased Oil Royalties. According to radio and press reports from the Near East, Sheikh Abdullah of Kuwait, whose Persian Gulf sheikhdom possesses some of the richest oil reserves in the world, has formally requested the Kuwait Oil Company (KOC) for increased oil royalties. (See OCI Daily Digest, 20 and 30 Mar 51). While the Sheikh reportedly did not mention any specific figure, he did call KOC's attention to the new agreements and offers made in surrounding Middle East countries. Kuwait's demand followed a 50-50 profit-sharing agreement reached in Saudi Arabia as well as similar offers made public in Iran and Iraq. According to informants, the ruler of Kuwait desires a similar 50-50 profit-sharing arrangement. KOC, which is jointly owned by the Anglo-Iranian Oil Company (AIOC) and the Gulf Exploration Company, an American firm, indicated in its reply to the Sheikh of Kuwait that his request would be considered at the KOC's next board meeting.

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COMMENT: Iran's recent nationalization of its oil— coupled with IPC's recent reported offer to Iraq and ARAMCO's previously- made 50-50 agreement with Saudi Arabia—puts Sheikh Abdullah in a very favorable position in his request for a 50-50 agreement from KOC. Particularly as the result of events in Iran, Sir William Fraser, who heads KOC as well as AIOC, faces the danger that an overdue delay on the part of the company in offering increased oil royalties to the Kuwait sheikhdom might cause Sheikh Abdullah to make even greater demands at a later date.

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25X1 "B" INDIA. Frank Graham Appointed UN Representative to Kashmir. On 30 April the UN Security Council named Dr. Frank P. Graham, former US Senator and presently Defense Manpower Administrator in the US Department of Labor, as UN Representative for India and Pakistan by a vote of 7-0 with 4 abstentions (USSR, Netherlands, India and Yugoslavia). Dr. Graham is now authorized to proceed to the Indian sub-continent and, after consultation with the Governments of India and Pakistan, to effect the demilitarization of Kashmir. He is to report progress to the Security Council at the end of three months. [REDACTED] COMMENT: Dr. Graham will probably be no more successful than any of his predecessors in accomplishing the demilitarization of Kashmir.

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"C" INDONESIA. Strike Ban Will be Lifted. The new Minister of Labor, Tedjasukmana of the Partai Buruh (Labor Party) has stated that the former cabinet's ban on strikes in vital industries must be lifted. He added that labor disputes would be settled according to a procedure to be formulated later. [REDACTED] COMMENT: The strike ban was proclaimed by the former government on 14 February in an effort to halt the tide of strikes, largely Communist-led, which was paralyzing essential industries. Although Communist-led SOBSI (Indonesia's largest labor federation) criticized the government's action, it instructed its affiliates to return to work and has refrained from calling new strikes. The previous government had intended to withdraw the ban following the enactment of comprehensive labor legislation. Should the new Labor Ministry reverse this procedure, a new wave of strikes is likely. 25X1

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"C" INDOCHINA: Chinese join Ho-sponsored labor unions. The radio of the Democratic Republic of Vietnam (DRV) announced on 27 April that overseas Chinese (number unspecified) have joined DRV-controlled labor unions. [REDACTED] COMMENT: The DRV has established or encouraged various organizations of a Chinese or Sino-Vietnamese character such as the Sino-Vietnamese Friendship Association. There is evidence that the parallel activities of Chinese Communists and

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Vietnamese Communists in Indochina has given rise - at least to a slight degree - to the problem of determining whether the Chinese Communists are responsible to the DRV or to the PRC. The self-made character of the rebellion in Vietnam plus the traditional antipathy of the Vietnamese for the Chinese will probably accentuate this problem in the future.

25X1 "B" French claim success in mopping up. De Lattre's aide, General Cogy, said that the recent operation in the Delta southwest of Haiphong was a considerable success. He said some 3,000 Viet rebels had been taken prisoner, including several hundred "hard core." The French have been astonished by the strength of rebel fortified villages within the captured area. Cogy said the next step is to make this area truly pacified - he admitted that the term had been used loosely in the past - and to plan for further similar operations, perhaps even at the rate of one a month if the front is relatively quiet.

COMMENT: De Lattre's plan to establish a series of fully pacified areas during periods of respite on the main front is a very promising one. It was frequently practiced successfully during the building of the French Empire under the label "the drop of oil policy." The failure of the French, however, to pacify the hinterland of Vietnam during the past five years has been due not so much to the inability of the French to move into and clear out an area as to the unwillingness of the French to leave behind a well-armed native defense organization under the control of a central native government. The Vietnamese man-in-the-village wants (1) security and (2) a sense of relief from foreign domination. Unless the French can provide these things, it is not likely that pacified areas will remain pacified.

25X1 "A" CHINA. Petroleum Shipments to Communist China from Indonesia. The Hong Kong Consul General reports that with the tightening of Singapore's export regulations, there is developing an organized movement of goods from Singapore to Indonesia for transshipment to Hong Kong, Macao, or directly to Communist China. The Consul General mentions particularly the movement of petroleum products via this route. Although he believes the trade as yet is not large, the operations may become larger in scale. He states evidence is growing that considerable finance is available to effect a steady flow of petroleum to Macao from Indonesia.

25X1 COMMENT: US officials in Singapore and Hong Kong have been reporting information (which they evaluated probably true) of the planned delivery, possibly from Indonesia, of a large quantity of motor gasoline or crude oil to Macao.

25X1C "B" Reorganization of Public Security Troops. [redacted] a reorganization of the public security troops on a provincial level has been ordered by Peiping

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and was to have been completed by the end of March 1951. While this plan may not have envisaged movement of these troops from provincial areas, it did provide that these forces might be moved wherever the Chinese Communist Army (CCA) directed. Each province was to have one public security division, to be publicly known as a regiment and to bear the name of its province. [REDACTED]

25X1A

COMMENT: Public security divisions, sometimes compared with the "peace preservation" forces of the Nationalists, have been organized in many major cities, and, [REDACTED] totaled 24 divisions prior to the Korean war, with an additional 17 authorized. The above provincial reorganization is expected to add 37 more divisions. One important objective of the new arrangement may be to increase the second-line combat strength of the CCA, as the security divisions could be incorporated into the field armies on short notice.

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"A"

Manchurian Arsenals Produce Bombs. [REDACTED]

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that in late March Manchurian arsenals were ordered to increase the production of 50-, 250-, 500-, and 1,000-pound aerial bombs. [REDACTED]

25X1A

COMMENT: This is new information. The Mukden Arsenal, and probably a few others in Manchuria, are believed to have the capability of producing bombs up to 1,000 pounds. This evidence of increased bomb production ties in with recent reports of increased numbers and training activity of CCAF light bombers, and may also indicate Communist intentions to employ bombers against the UN in Korea.

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"A"

KOREA. French Report Falsity of European Volunteers with the Chinese Story.

US State Department officials in Paris report that they were shown a telegram from the French Consulate in Shanghai stating that the "story of European volunteers being incorporated in Chinese Army (in) Korea appears false" and that all available sources give the lie to this report. [REDACTED] **COMMENT:** Despite a heavy volume of amazingly similar reports from many different sources on the formation in Manchuria of an "International Volunteer Army", no conclusive confirmation of these reports has been received. It is possible, however, that specialist and technicians - and possibly Asiatic-appearing ground troops - are being recruited from the Soviet Orbit to supplement the technically-backward Chinese and North Korean Communist armies.

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"A"

Enemy Armor Contacted in Chinese Communist Sector. The summary of the DA-CINCFE intelligence teleconference for 1 May reported "Five enemy tanks attacked 6 miles northeast of Seoul. UN air observed 17 more in enemy rear areas." [REDACTED]

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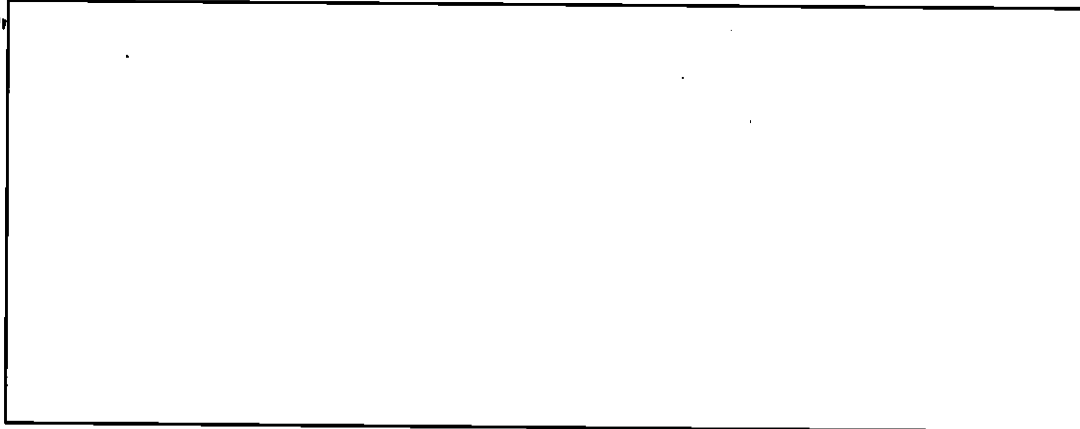
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COMMENT: Although there have been almost continuous air sightings of enemy armor since January, scarcely any ground contacts have been reported during this period. This tank contact was reported in the sector occupied by the Chinese Communist 3rd Army Group, previously reported as having received armored support in Manchuria. Also two major North Korean armored units are known to be located in western North Korea.

A FECom analysis of 11 April of enemy tank sightings, for the period 16 March-10 April, revealed 82 sightings in western Korea south of Pyongyang. In the light of previous experience indicating that air sightings fail to account for more than 50% of actual armored strength, this FECom analysis estimated that the enemy may have at least 150-175 tanks for future employment along the more favorable west coast roadnet.

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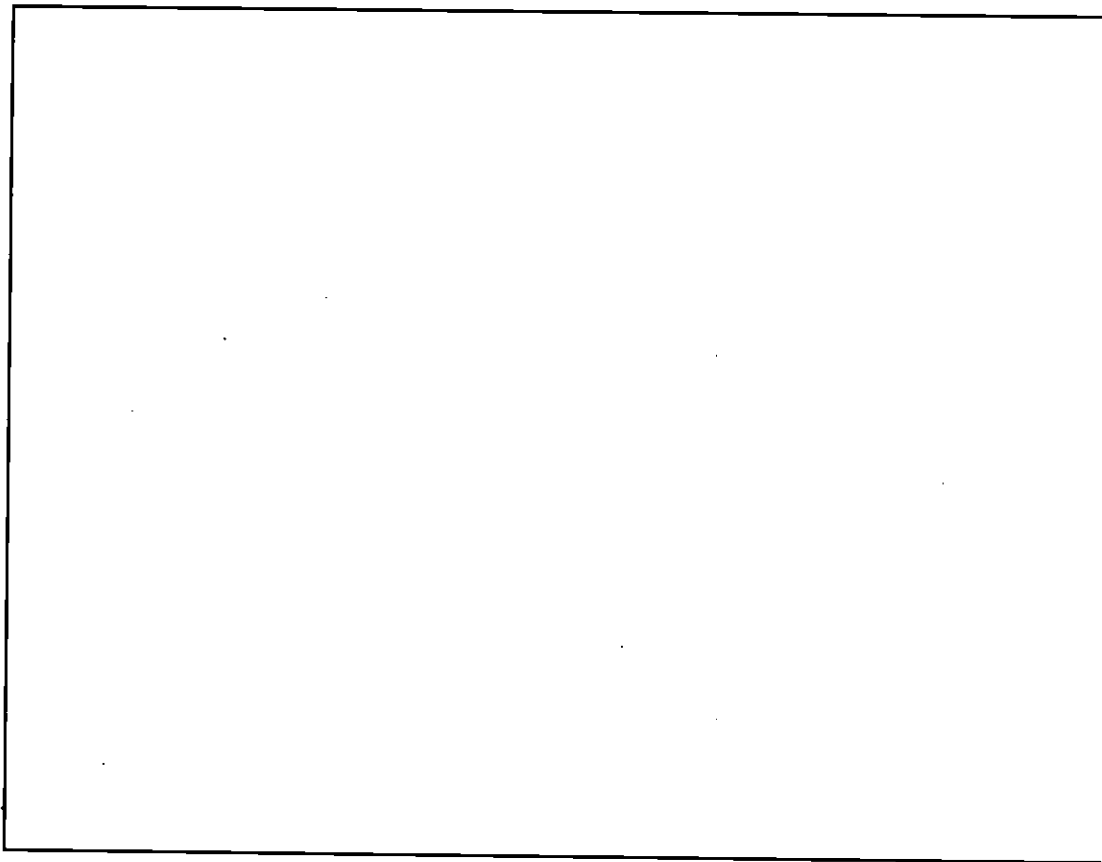
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SECTION 3 (WESTERN)

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FRANCE. Communist Party Announces Its Electoral Program. The French Communist Party (PCF) has published in Humanite its "program for public safety", designed to gain maximum support in the forthcoming general elections. The party demands, as its primary objectives: 1) an immediate abandonment of the government's war policy, including conclusion of a peace pact among the Big Five Powers; 2) denunciation of the Marshall Plan, Atlantic Pact, Schuman Plan, etc.; 3) revival of the Franco-Soviet treaty of friendship and alliance; and 4) immediate cessation of hostilities in Indochina and repatriation of the French expeditionary corps in Indochina and Korea. The secondary PCF objectives are the establishment of "truly brotherly relations" with peoples subjected to colonial oppression by French imperialists, a more than 50% reduction in military expenditure, and tax alleviation for the worker. Finally, the PCF would free France "from the yokes of American billionaires" by raising living standards, guaranteeing peacetime employment, and protection for the aged, veterans, etc.

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[REDACTED] COMMENT: This is one of several indications that, with the settlement of the recent major strikes, the PCF leaders intend to concentrate first on Soviet propaganda objectives and secondarily on labor's legitimate economic goals. While such a policy would accentuate the coalition parties' risks in making the present foreign policy a major election issue (see OCI Daily Digest, 30 Apr 51), this policy could be expected to divert attention somewhat from their vulnerability due to the dangerous inflationary situation. Although the PCF's propaganda has long inveighed against German rearmament, this announcement failed to play upon French fears of a recrudescing Germany.

"B"

Communists Exhorted to Fight for Peace. Jacques Duclos, acting Secretary General of the French Communist Party (PCF), closed the meeting of the party's central committee by insisting upon the importance of greater Communist combativity within the peace movement and on the struggle for united action in support of workers' demands. Duclos cited an "impressive" record of strikes in many countries in February and March as evidence of "new and important developments" in the "veritable onset of mass rising of the working class".

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[REDACTED] COMMENT: The other prominent French Communists who addressed this gathering - Auguste Lecoœur and Etienne Fajon - also exhorted the rank and file to greater militancy (see OCI Daily Digest, 28 Apr 51). Duclos apparently intends that his party capitalize to the fullest upon the Communist record in recent strikes in order to advance its peace campaign.

"C"

Inability to Prevent Steel Rail Shipment to China. In the opinion of the French, there is no basis in French law for a formal request to the Belgians to suspend the shipment of steel rails to China, now under discussion (see OCI Daily Digest, 5 Apr 51), although the French Foreign Office has already made an informal request through the Belgian Embassy at Paris. The French Government is not in a position to guarantee the Belgian Government against the legal consequences of suspending this shipment. The French officials also pointed out that transshipments are guaranteed from interference by international agreements and the ownership can be changed in transit. They added the hope that COCOM (Coordinating Committee) would find a way to control transshipments, although they tend to be discouraged over the practical application of export controls.

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[REDACTED] COMMENT: This shipment of steel rails probably will proceed toward its destination largely due to the ineffectiveness of Belgian and French transshipment control laws. French efforts to strengthen their export policy, however, (see OCI Daily Digest, 7 Apr 51) represent an important step in controlling shipments of strategic commodities to Orbit countries. Nevertheless, recent reports indicate

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the ability of the Soviet bloc countries to obtain strategic materials through transshipment and emphasize the need for stricter export control laws in each country.

25X1 "B" ITALY. Italians Cool to Yugoslav Offer to Negotiate over Trieste. The Yugoslav Minister to Italy has repeated in a statement to the press Marshal Tito's recent affirmation that the Trieste question could be resolved, "even in 24 hours", by a direct and friendly agreement between his country and Italy. A high level Italian Government official has reportedly declared in an electoral speech that no negotiation with Yugoslavia is possible as long as Italians in the Yugoslav-controlled Zone B of the Free Territory are subject to persecution. [REDACTED] COMMENT: In view of the forthcoming Italian municipal elections and strong popular demand for the return of Trieste to Italy, the Italian Government will not at this time consider negotiations with the Yugoslavs involving a compromise settlement of this thorny problem. Tito's approach to Italy regarding a Trieste settlement was probably motivated by a desire to improve relations with Italy and at the same time to avert any possible Four Power Trieste agreement in which Yugoslavia would have only a minor part.

25X1 "B" SPAIN. Monarchists Seek Control of Strike Movement. US Embassy Madrid reports that, despite previous denials, the secretary of the non-Communist opposition Comité Interior de Coordinación (CIC) now admits that his organization was behind the Barcelona and Bilbao strikes. The CIC is planning a further series of non-violent strikes culminating in a general sit-down strike in Madrid during the month of May synchronized with the issuance of a Monarchist manifesto calling on France to turn over the government to the Pretender Don Juan. [REDACTED] 25X1 COMMENT: In the light of available evidence, the CIC, a coalition of clandestine Monarchist, Socialist and Anarchist organizations within Spain, does not appear justified in claiming credit either for the instigation or the direction of the Barcelona and Bilbao strikes. Monarchists within the CIC, who sense the latent possibilities of the strike movement, apparently are anxious to use it as a lever for the immediate ouster of Franco and restoration of the monarchy under Don Juan. The non-Monarchist elements of the CIC, on the other hand, who have a more intimate grasp of the aspirations of Spanish workers, counsel caution since they feel that any undue haste might well jeopardize their cause by affording Franco a pretext for a new series of repressive measures that could break the back of the non-violent strike movement before it gains momentum.

"B" ICELAND. Difficulties Arise in Final Stages of Defense Pact Negotiations. The Icelandic Government remains adamant in rejecting several suggested versions of the US-Iceland defense agreement which do not, in its view,

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establish the defense of Iceland as the treaty's primary purpose. An increasing fear among Cabinet and party leaders lest they sign an agreement whereby Iceland is to be used as an offensive base is jeopardizing negotiations, according to US Minister Lawson. This fear has been aroused largely by wordings in the draft which speak of the defense of the NATO area as well as that of Iceland, despite numerous references elsewhere throughout the agreement to the defensive nature of the contemplated operations.

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[REDACTED] COMMENT: Since Iceland's willingness to enter into an agreement of this sort stems only from the leaders' and peoples' concern over the island's vulnerability and not from any sense of NAT obligations, the introduction of NATO area defense at this stage has alarmed the government leaders. Their fears are accentuated by the fact that the Foreign Minister earlier assured his colleagues that Iceland's defense was the sole purpose of an agreement, and it was on this premise that they gave their preliminary consent to negotiate. It is probable, however, that a satisfactory adjustment in wording will be accomplished shortly, so that the agreement can be signed within a week; arrangements for the arrival of a small contingent of US troops almost coincident with signature have already been made.

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"C" BOLIVIA. Political Tension Increasing. As the 6 May presidential elections approach, political tension is increasing. A reliable informant has told US Embassy La Paz that the army group (see OCI Daily Digest, 21 Apr 51) plans to interpret the required "absolute plurality" (an absolute majority) as one vote more than any other candidate and declare the high man elected, provided that the opposition Movimiento Nacionalista Revolucionario (MNR) candidate is not high man among the six contestants. This would prevent the election from going to Congress, as the constitution designates when one candidate fails to gain at least half of the total votes plus one.

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[REDACTED] COMMENT: The army has supported the Government and, therefore, its reason for such an interpretation is not clear in view of the fact that the government candidate would probably be elected by Congress. Furthermore, this would stimulate renewed MNR revolutionary activity.

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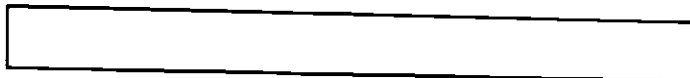
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CENTRAL INTELLIGENCE AGENCY

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DAILY DIGEST SUPPLEMENT

MAY 1 1951



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
[REDACTED]1 May 1951DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" Western Delegates Consider Soviet Agreement at Foreign Ministers' Conference Unlikely. The three Western delegates personally consider that in view of the Soviet performance at Paris, agreement with the USSR in the event of a Foreign Ministers' meeting is unlikely. The French delegate believes that all the USSR sees in a meeting now is propaganda, a chance to "split" the West and upset plans for a German military contribution, hinder Western rearmament, and prevent any Italo-Yugoslav settlement of the Trieste question. The French delegate suggests that under present circumstances a Foreign Ministers' meeting might be dangerous. The British delegate questions whether the USSR still wants a Foreign Ministers' meeting except for propaganda purposes, since the USSR now knows that it cannot stop a German military contribution and the rearmament of the West. The British delegate suggests that the USSR may be using Four Power negotiations to determine whether to shift to a full war economy and to play for time in view of possible effects of the Korean offensive and the political situation in the UK and France. The British delegate adds that the UK definitely wants a Foreign Ministers' meeting, since British public opinion insists that a meeting be held and because the UK believes there is a faint chance of agreement with the USSR at such a meeting. The delegates tentatively discussed a direct approach to Moscow in an attempt to reach agreement on a Foreign Ministers' agenda. The US delegate adds that Communist propaganda indicates a possible Soviet proposal for a Five Power conference. [REDACTED]

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