



DEPARTMENT OF STATE
OFFICE OF THE SECRETARY
WASHINGTON

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~~TOP SECRET~~

SUMMARY OF TELEGRAMS

INDONESIA The conversations between Dutch Foreign Minister Stikker and Overseas Minister Sassen and Indonesian Prime Minister Hatta have broken down and the Dutch ministers are returning to The Hague and will recommend that a provisional federal government be set up in Indonesia immediately without the participation of the Indonesian Republic. The talks broke down over the insistence of the Republic that the Dutch enter into a gentleman's agreement not to use troops in the Republic's territory without the consent of the projected federal government in which the Republic would have been included and over the refusal of the Republic to accept a joint Dutch-Indonesian command over the Indonesian armed forces. Hatta has explained to our representative on the Good Offices Committee that his position with his military and the political parties in the Republic forced him to take the position he did. Though Stikker has urged the Dutch officials in Indonesia to keep the military in line, Hatta fears a renewed Dutch police action in connection with the establishment of a federal government excluding the Republic.

BERLIN We and the Army feel strongly that preparations for the introduction of the western mark in Berlin as the sole legal tender should be completed at the earliest possible date. Such action would be taken consistently with our reservation, made in accepting the neutral UN currency commission, that we would remain free to take any steps necessary to preserve our position in Berlin. We feel that it is important, however, that introduction of the western mark should take place on the basis of a three power agreement. The British have now proposed the introduction in Berlin of a currency that would not be freely convertible into western marks, a proposal which our experts are inclined to support, though General Clay feels that such action would be politically disastrous and would drive the Berliners into the eastern orbit.

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