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GENERAL

1. British Parliamentary criticism complicates Anglo-Egyptian relations:

The British Cabinet is reviewing its proposals on Anglo-Egyptian defense in the light of the mounting Parliamentary opposition to the Government's "concessions" to Egypt which was revealed in recent debates on the Anglo-Egyptian financial agreement. Critics in Parliament also attacked Egypt's continuing ban on Suez Canal traffic bound for Israel.

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Comment: The Cabinet's review of proposals for Anglo-Egyptian defense arrangements reflects the seriousness with which the Government views the possibility of further Parliamentary criticism of its Egyptian policy. A new agreement for a British base in Suez is necessary before the expiration of the Anglo-Egyptian treaty in 1956, and Egyptian public opinion is chronically hostile to the presence of British forces in the Suez area. In view of these factors, British military planners have recently come around to the Foreign Office view that any new treaty must make some concession to Egyptian demands for British evacuation of the Canal Zone. In the past few months there have been a few indications that the positions of British and Egyptian negotiators have moved closer together, but the good feeling surrounding the negotiations has not yet been accompanied by tangible results. The immediate danger lies in the possibility that British Parliamentary criticism may so antagonize Egyptian public opinion that the Egyptian Government will be unable to accept any arrangement short of complete British evacuation.

2. UK following up South African promise of troops for Middle East:

The Foreign Office has asked the US Embassy in London what action is likely to be taken, 3.3(h)(2) and how soon, on a pending South African request for US materiel to equip one armored

division, which will be used to defend the Middle East if war breaks out. Since the South African troop commitment was contingent on obtaining the necessary materiel, the UK is extremely anxious that these needs be filled as quickly as possible, lest South Africa find some excuse for changing its mind.

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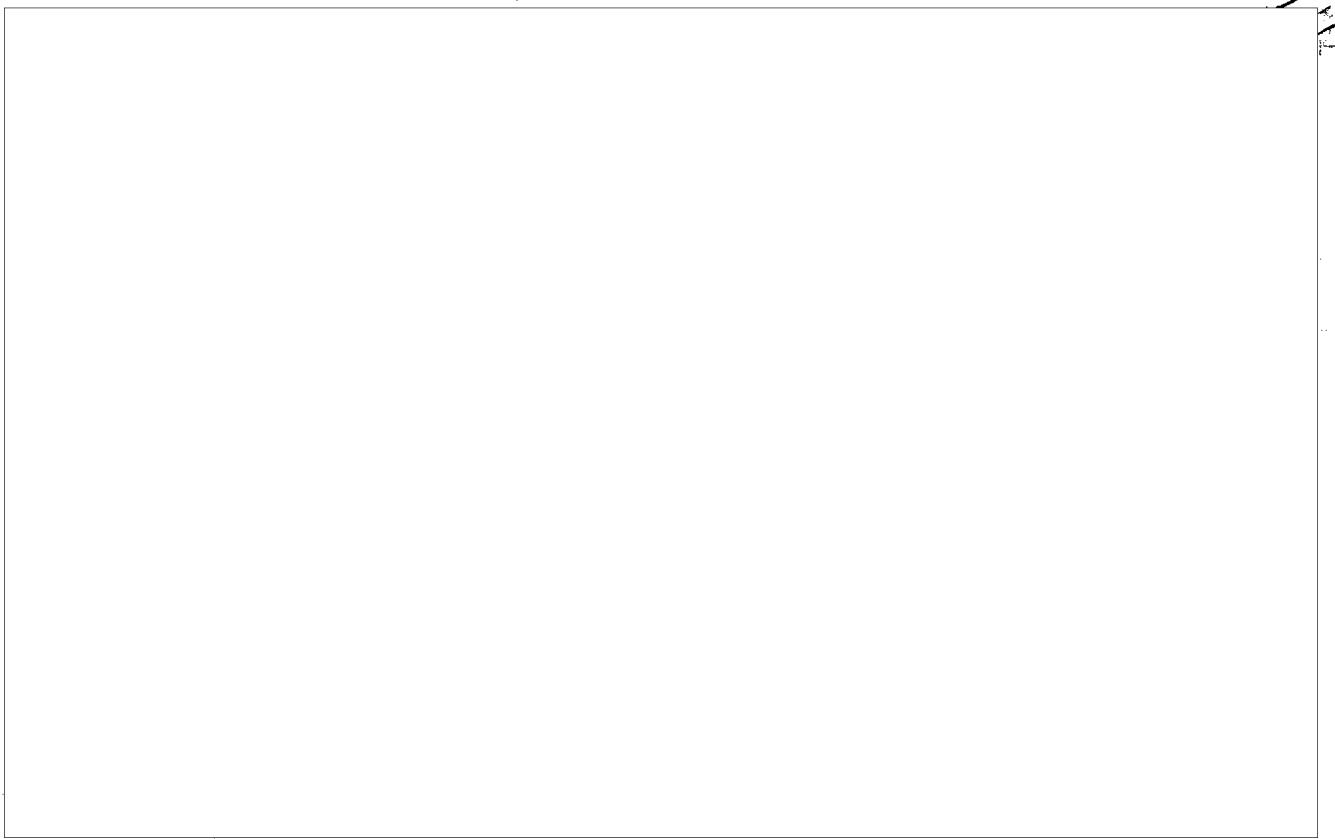
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Australia and New Zealand have also agreed to supply troops for Middle East defense in the event of war; Commonwealth defense talks on the Middle East are scheduled for May or June.

Comment: British concern is understandable in general because the UK is interested in furthering Commonwealth defense cooperation, and in particular because the South African decision to make this contribution to Middle East defense was reached over eighteen months ago and represented a marked break with the generally isolationist traditions of Prime Minister Malan's Nationalist Party. Although this change in policy was motivated by anti-Communist rather than pro-Commonwealth feelings, the British may fear that the recent increase in the Malan Government's irritation with the UK on other issues will cause the South Africans to reconsider their commitment.

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4. De Lattre obtains reinforcements for Indochina:

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The French Council of Ministers has agreed to give General De Lattre de Tassigny 12,000 reinforcements for his army in Indochina. De Lattre has informed an official of the US Embassy in Paris that he expects to be able to return these new troops within eighteen months and that, with the formation of new Vietnamese units and with continued US military aid, he could stabilize the situation in Indochina by the end of 1951.

Comment: The Cabinet acceded to De Lattre's request over the objections of Defense Minister Moch, who argued that French forces should not be diverted from the main task of defending Western Europe.

EASTERN EUROPE**5. Pursuit planes reported over Albanian capital:**

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pursuit planes of the "most modern type" were "in constant flight" over Tirana from 14 to 16 March. This is the first report that fighter aircraft may be operating from Albanian bases. In late January [Redacted] the first appearance of Soviet aviation officers in Tirana. Albania has no air force, but the Albanian Government has expressed its intention to take action against unauthorized flights over its territory. The appearance of fighter aircraft in Albania may, therefore, be the first indication that the nucleus of an air force is being established.

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LATIN AMERICA

6. Argentine President boasts of new method for producing Atomic Energy:

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On 24 March, President Peron of Argentina^{3.3(h)(2)} announced that Argentina's pilot plant had produced atomic energy by a new method unknown to other countries and much cheaper than that employed by the US, Britain and the USSR. Peron claimed that successful experiments were carried out on 16 February at Huenal Island in Lake Nahuel Huapi (about 850 airline miles southwest of Buenos Aires). He said that Argentina needed atomic energy for its industrial progress and had "firmly decided to produce it."

Comment: It is highly unlikely that Argentina has made new discoveries in atomic production. The timing of Peron's announcement suggests that it may have a two-fold purpose: (a) to enhance Argentina's political stature at the Inter-American Meeting of Foreign Ministers, which will begin 26 March, and (b) to distract both foreign and domestic attention from trouble concerning the closing of La Prensa.