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SECURITY INFORMATION

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GENERAL

- 1. Turkish Ambassador approves British views on NATO commands:** 3.3(h)(2)

[Redacted]

The Turkish Ambassador in London reported to Ankara on 31 July that the British reservations on the NATO Southern Europe Command are to Turkey's advantage. He had learned informally from the Foreign Office

that Britain wants a command for Southeast Europe set up directly under SHAPE and separate from the Southern Europe Command. The Foreign Office felt that such a command, composed of Turkish and Greek land and air forces, would facilitate NATO cooperation with the proposed Middle East Defense Organization, and stated that the reservations might be discussed after the organization had been established.

Comment: Turkey has already agreed to the recent modification in the Southern Europe Command separating Greek and Turkish from Italian forces but continuing their sub-command status. Before learning the details of the British reservations made at that time, Turkey was preparing to protest them. Now, however, Ankara is likely to support a future British request for a reconsideration, and also to look more favorably upon Britain's present proposal for a Middle East defense organization.

FAR EAST

- 2. Chinese artillery unit in Korea anticipates "long war":**

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[Redacted]

The Chinese Communist 1st Artillery Division in combat in western Korea on 10 August ordered one of its regiments to refrain from using a certain type of ammunition now "in anticipation of a long war."

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Comment: While this [redacted]
 does not necessarily reflect Communist strategy in
 Korea, it suggests that the Chinese plan an indefinite stay in Korea
 under combat conditions.

3.3(h)(2)

3. New trade procedure indicates Peiping's economic links to Orbit:

[redacted] International letters of credit are normally no longer to be used in trade transactions between China and East Germany, [redacted] [redacted] from Communist China's central bank to Berlin. Sellers are simply to transmit bills through their central banks to customers for collection.

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Comment: This collection system is already in use for internal Soviet trade and for trade between the USSR and Eastern European Satellites. Recently it was also adopted for Sino-Soviet trade. Its extension to China's trade with one of the Satellites underscores the progress attained in tightening Peiping's economic links to the rest of the Orbit.

4. British military in Singapore concerned over Communist terrorism in Sarawak:

[redacted] Although British Commissioner General MacDonald has not shown alarm at the recent Communist act of terrorism in the British colony of Sarawak, British Army headquarters in Singapore views the incident seriously. It points out that the city of Pontianak in Indonesian/Borneo, 100 miles south of the Sarawak border, could easily become a "focus of infection," from which Sarawak could be harassed. There is a large Chinese population in Pontianak, and the Indonesian Government has resettled several hundred armed dissidents in a nearby area.

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The American Military Liaison Officer in Singapore comments that although the Communists do not have the capacity to threaten the British position in Sarawak, a Communist operation could develop which would force an expenditure of government resources out of all proportion to the Communist investment, as in the case of Malaya.

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NEAR EAST - AFRICA

5. Clash between Egyptian Army clique and Wafd Party reportedly imminent:



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"all evidence" points to an early showdown between Egyptian Army Commander Nagib and the powerful Wafd Party. [redacted] the probable arrest and possible deportation of ex-Prime Minister Nahas Pasha, Wafd leader, and Fuad Serageddin, Secretary General of the Wafd Party.

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Comment: Although there are indications that relations between the army and the Wafd are strained, there is no other evidence that a showdown between the army and the Wafd is imminent.

The army-sponsored reform program, if carried out, will directly affect many prominent members of the Wafd. The army's continuing interest in political affairs and its apparent determination to effect reforms may induce it to take strong action.

It is not known how fully the various military leaders support Nagib.

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EASTERN EUROPE**6. Albanian Communists reportedly dissatisfied with Hoxha regime:**

A member of the anti-Communist resistance who left Albania in June 1952 reported that ninety percent of the population, including a majority of the Communists, will support any serious attempt to overthrow the present government.

The Communists have adopted this attitude because of their disappointment with the Hoxha regime and their belief that the USSR would not risk a general war to save Albania after a political coup. Probably no more than one quarter of the police units are loyal to the government.

Comment: Reports over the past six months reveal that increased corruption and disaffection in the Albanian state apparatus have resulted in the arrest of many secondary Communist officials, that the army is unreliable, and that resistance bands from Yugoslavia have stepped up subversive activity.

7. Comment on election of Hungarian Premier:

The election by the Hungarian National Assembly of Communist Party leader Matyas Rakosi as Premier resembles recent moves in Rumania and Czechoslovakia which also had the effect of combining the top party and government functions in one person. These changes in Rumania and Czechoslovakia were accompanied by high-level purges and an intensification of the communization program.

A step-up in Hungary's communization program has already been noted, and Rakosi's selection as Premier may indicate that a purge will follow. There have been numerous rumors that Erno Gero, the party's second ranking leader and president of the People's Economic Council, and party theoretician Jozsef Revai are slated for purging.

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WESTERN EUROPE

8. Soviet officials in Berlin protest alleged air corridor violations:

[redacted]

On 11 and 12 August the Soviet controller of the Berlin air safety center lodged three oral protests on alleged American over-flights of East German territory. The

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incidents, involving two commercial aircraft and one fighter, are being investigated by American authorities in Berlin.

Comment: The series of protests of air corridor violations which began last May could be designed to build up a record for any future action to interfere with Allied use of the corridors. These latest protests assume particular importance in view of current Soviet harassment of traffic to Berlin.

9. French believe that American intervention will prevent breakdown of Saar talks:

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[redacted] Chancellor Adenauer's current efforts to settle the Saar controversy would be impeded by the opposition of conservative elements in his coalition. However, these conservatives, "who need Washington and New York credits," would be responsive to American advice.

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American authorities will intervene to prevent the talks from failing.

Comment: This report, [redacted] suggests that American intervention will be requested early in the negotiations.

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Meanwhile the West German press has adopted a severely critical attitude toward any German concessions on the issue. If this trend persists, Chancellor Adenauer's capacity to negotiate will become increasingly circumscribed.

LATIN AMERICA

10. Chilean President alarmed at possible Communist and Argentine intervention in elections:

[Redacted] President Gonzalez Videla has informed Ambassador Bowers that the democratic parties of Chile are "deeply alarmed" over the prospects of former dictator-president

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Ibanez in the 4 September presidential elections. He attributed much of Ibanez' strength to Argentine financial support, and believes that the 13 August strikes in the copper, coal, and nitrate mines were manifestations of Communist alignment with Ibanez.

The President mentioned his hope that the United States Government will "permit" American companies in Chile to give financial help to the rightist or center-left forces.

Comment: Although Ibanez does not have the support of large, organized parties, he does have wide popular appeal and might well command not only the Communist vote but also considerable support from parties now aligned behind other candidates.

It is likely that Ibanez has been receiving support from Argentina, but there has been little definite information to indicate its nature and extent.

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