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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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3. French Ford trucks arriving in Hong Kong for Chinese Communists:

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The US Consul General in Hong Kong reports that French Ford three-ton trucks are now arriving there in large numbers and that he is urging the Colonial Government to stop the reexport of these trucks to the Communist mainland. The colony earlier this month stopped the shipment of 51 Dodge trucks, and according to evidence obtained by the Consul General, the Communists intend to abandon Hong Kong as a source for trucks if the government bans export of the French Fords as well. The Consul General believes the Communists may endeavor to effect future deliveries via the Burma Road.

Comment: With the progressive broadening of Hong Kong's export controls, the Communists are said to be transferring their purchasing activities to other areas, particularly India, where they reportedly negotiated a contract for several hundred five-ton trucks earlier this month. Hong Kong's seizure of the French Fords, following close on its seizure of the 51 Dodge trucks, would give future impetus to Communist efforts to by-pass the colony and develop alternate supply channels.

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4. MacDonald expresses views on Southeast Asia:

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Following a private conversation with the UK High Commissioner for Southeast Asia, Malcolm MacDonald, the State Department official present in Singapore for the recent tripartite military talks, reports that MacDonald was less optimistic regarding the situation in Southeast Asia than his public pronouncements would indicate.

Although MacDonald knew of no evidence of support, in any substantial manner, to the bandit campaign in Malaya by China or the USSR, he at no time expressed the view that the end of the campaign was in sight.

With reference to Indochina, MacDonald thought that the threat of Chinese Communist intervention overshadowed all other developments. He believed that General de Lattre had developed a high degree of political ability but that possibly his political staff did not carry out the General's views.

In his only mention of Burma, MacDonald said that US action toward attempting to resolve the problem caused by Chinese Nationalist troops in Kengtung has been very well received by the Burmese Commander-in-Chief, Ne Win, and that Burmese suspicion of US support for these troops had been removed.

NEAR EAST

5. Shah states that admission of Greece and Turkey to NATO would have bad effect in Iran:

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The Shah of Iran stated in a conversation with the US Ambassador in Tehran that the admittance of Turkey and Greece to NATO would have a bad effect in Iran "if nothing were done about Iran." The Ambassador feels that a statement by the US Government regarding Iran at the time Turkey and Greece enter NATO would be in order and helpful.

Comment: The Shah and other Iranian leaders have let it be known during the past two years that they have been disappointed and dissatisfied with the amount of aid given Iran in comparison with Turkey and Greece. In presenting their case, they have pointed out that Iran was most vulnerable to Soviet aggression. While the present government will hardly press its inclusion in Western defense arrangements, NATO's acceptance of Turkey and Greece will nevertheless add to general Iranian bitterness and irritation.

6. Shah continues to fear actions of Iranian Prime Minister:

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[Redacted]

In conversations with the US Ambassador in Tehran, the Shah expressed the fear that Prime Minister Mossadeq might "do harm" before his government falls. The Shah deplored his own position as a "looker-on" and stated that he was afraid that the new oil commission would be terrorized into action dictated by the extremists and spearheaded by Mossadeq. In conclusion, the Shah expressed himself very strongly on the futility of the Prime Minister's apparent program of neutrality.

Comment: The Shah reluctantly yielded to the popular demand for oil nationalization by appointing its foremost proponent Prime Minister. The Shah, however, has not changed his opinion of Mossadeq. The latter's policies of free speech and free assembly are being exploited by the pro-Communist Tudeh Party, and his anti-foreignism and mistrust of the army pose a real threat to Iran.

7. King Farouk opposes break in Anglo-Egyptian defense talks:

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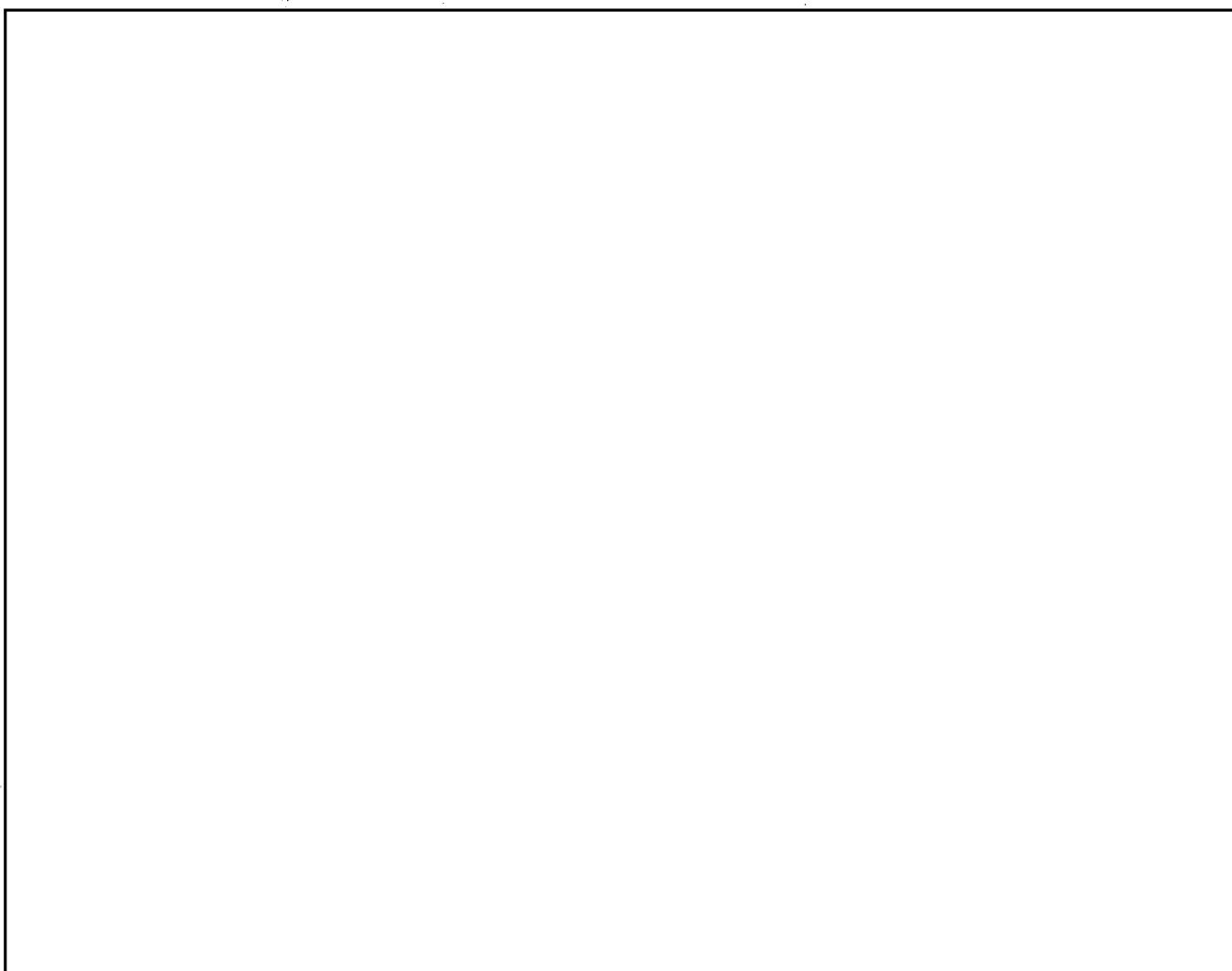
[Redacted]

US Ambassador Caffery in Cairo has been informed by the Egyptian Royal Press Counselor that King Farouk opposes any break in the Anglo-Egyptian defense negotiations at the present time, assuming (a) that the forthcoming British reply leaves the door open for future talks and (b) that the Foreign Minister is invited to London soon for further discussions. According to the press counselor, the Egyptian Prime Minister and Foreign Minister have indicated that they will not force a showdown on the defense negotiations at the present juncture.

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Comment: The opposition of King Farouk to any break-down in the Anglo-Egyptian defense negotiations has undoubtedly acted as a moderating influence upon the Wafd government's attitude on this question. While there is always the possibility that Egyptian public opinion may become inflamed over the Suez and Sudan issues and force the government to act in an irresponsible manner, the Anglo-Egyptian discussions will probably continue through the summer in spite of the absence of any prospect that an agreement can be reached.

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WESTERN EUROPE

9. Dispute in Ruhr Authority over German coke allocations:

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In the meetings of the International Authority for the Ruhr, the Western European countries, led by France, are presently disputing with West Germany the amount of coke the Ruhr

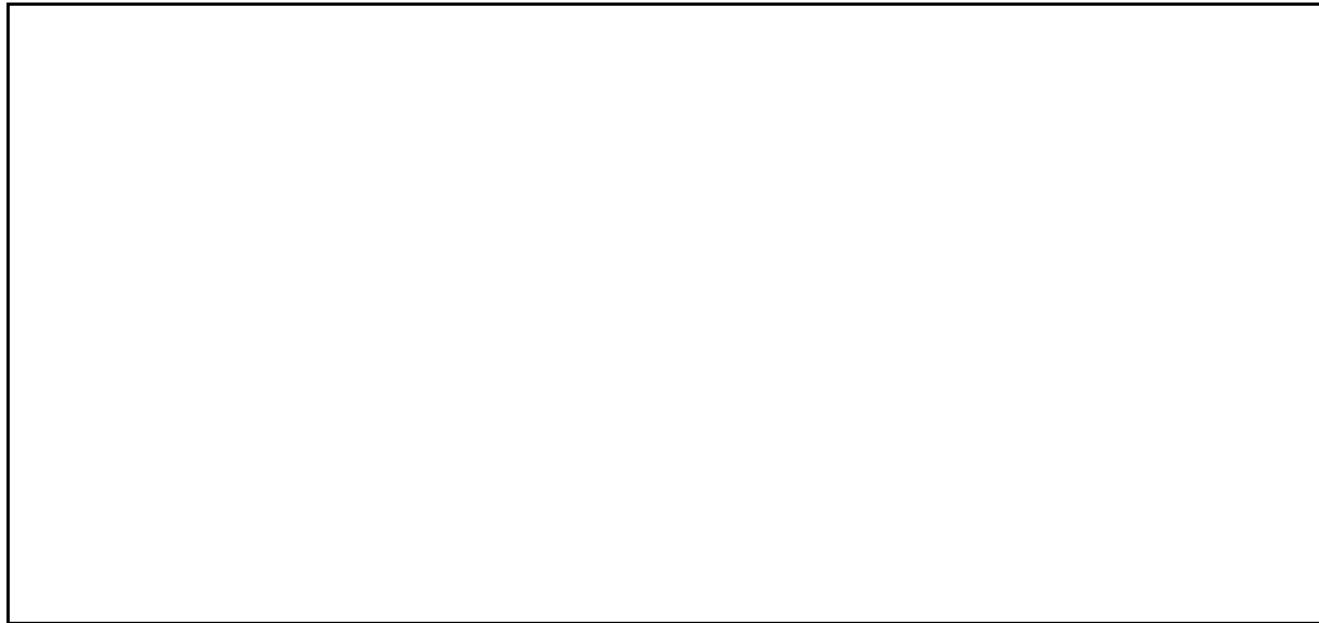
will be required to export to Western Europe during the months of July-September 1951. These exports are regarded as creating terms of reference which will be used by the Schuman Plan High Authority. The French, who suspect the Germans of jockeying for the most advantageous starting position in the Schuman Plan, want a German coke export of 6.75 million tons, whereas the Germans are offering 5.1 million tons. Privately, the Germans have said they will agree to the US compromise figure of 5.7 million, which the French representative will refer to his government. The French complain that though the Ruhr Authority was established to give Europe control of the Ruhr potential, in practice Germany controls Europe's steel output.

Comment: The Germans are attempting to retain as much of their coke as they can, in view of the coming expansion of industry. Since the Germans succeeded in gaining relaxation of steel-production ceilings without making firm commitments on coke deliveries to France, the French are becoming increasingly concerned about the control Germany exercises over the European steel industry. Unless the Germans show a more cooperative attitude now, French industrialists may be able to line up enough political opposition to the Schuman Plan to prevent its ratification.

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11. French exert pressure on Tunisian Bey to dismiss cabinet:

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The French Resident General in Tunisia has informed the reigning monarch, Lamine Pasha Bey, that if he retains his present cabinet the French will conduct no further negotiations with it. This decision resulted from the cabinet's boycott of the advisory Tunisian Grand Council during budget deliberations and the Bey's attempt to rush reforms. Because the dismissal of his ministers would be a difficult decision for the Bey, who has just proclaimed his complete confidence in them, he probably will take no action for the present.

Comment: This ultimatum is another indication that the French intend to maintain a whiphand in Tunisia as in French Morocco. Extremely modest reforms announced last June have proceeded very slowly. French troops and police in the area are capable of controlling disorders arising from the disagreement of the Resident General and the Bey, but the anti-French sentiment aroused in the Middle East by the Morocco crisis will be further fanned by French intransigence in Tunisia.

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12. Intensive Spanish propaganda campaign seeks to forestall Madrid strike:

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The controlled Madrid press has appealed to the populace not to participate in the consumers' strike called for 22 May, calling it a crime against the state and threatening participants

with severe reprisals, such as loss of their jobs and possible imprisonment. Falange youth organizations are circulating leaflets blaming agitation for the strike on a "masonic, Communist conspiracy" and urging the people to carry on their normal activities.

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Comment: The probable extent or success of the strike cannot be gauged, but Madrid is not as volatile as the industrial, separatist centers of Bilbao and Barcelona. The non-Communist Left, which is not effectively organized in Madrid, is believed to regard the action of the Monarchists in calling the strike at this time as too precipitate. Available evidence points to Monarchist (and Catholic) elements as the principal agitators of the strike. The action of General Munoz Grandes suggests that the Army may be taking a position of caution.