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SECURITY INFORMATION

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3.5(c)

S U M M A R Y**FAR EAST**

1. Chinese Communist paratroop capability assessed (page 3).

SOUTHEAST ASIA

2. Britain sees Southeast Asia defense talks as step toward permanent organization (page 3).

NEAR EAST - AFRICA

3.3(h)(2)

3. Iran reportedly to authorize note issue increase (page 4).

4.

5.

6. Ambassador Caffery analyzes Egyptian situation (page 5).

3.3(h)(2)

WESTERN EUROPE

7. Soviet officials in Vienna shun trade talks with Austrians (page 6).

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~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

~~COP SECRET~~

3.5(c)

FAR EAST

1. Chinese Communist paratroop capability assessed:

[redacted] Communist China has 138 twin-engine transports which could be used for paratroop operations, [redacted]

3.3(h)(2)

[redacted] If based on airfields in southern Manchuria, these aircraft could carry at least 2,200 paratroopers to the

3.3(h)(2)

front lines in Korea on a single flight. The Communists have as many as 244 conventional bombers which could be used to drop supplies.

Comment: [redacted]

3.3(h)(2)

[redacted] only one airborne division, and paratroop training has been undertaken at three separate installations. No strength figures are available from communications intelligence, but estimates based on other sources have put over-all paratroop strength as high as 25,000 men.

SOUTHEAST ASIA

3.3(h)(2)

2. Britain sees Southeast Asia defense talks as step toward permanent organization:

[redacted] Britain regarded the military conference in Washington on Southeast Asia defense, now scheduled to begin on 22 September, as a step toward regular military consultations and a permanent defense organization. He also implied that a joint declaration of "solidarity" in Southeast Asia should be postponed until steps had been taken toward the formation of such an organization.

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[redacted] the British will offer as the basis for discussion a report assessing alternative plans for "parrying a Chinese Communist attack anywhere on the frontiers of Southeast Asia."

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~~TOP SECRET~~

3.5(c)

~~COP SECRET~~

3.5(c)

NEAR EAST - AFRICA

3. Iran reportedly to authorize note issue increase:

The Iranian Government has authorized the
Iranian National Bank to issue "up to about
20 percent additional currency," amounting
to the equivalent of approximately \$50,000,000,

3.3(h)(2)

An attempt will be made to main-
tain secrecy to avoid an adverse effect on public morale.

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3.3(h)(2)

Comment: There is a deep-seated fear in Iran of "cheap money" and the Governor of the National Bank has opposed any note expansion which would "shake confidence in the country's future." He also intimated that any such move would indicate that the government had given up hope of an early income from abroad.

The Iranian Government is faced with a dilemma in its attempts to finance salary payments and other government obligations.

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~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

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3.3(h)(2)

6. Ambassador Caffery analyzes Egyptian situation:

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Ambassador Caffery believes that the Egyptian Government has probably entered a period of relative stability and that its domination by the military is likely to continue until the elections promised for January and possibly longer. He warns that the military group will be so occupied with the complex internal situation during the next few months that it will probably do nothing about external issues, like MEDO or the Anglo-Egyptian question.

Caffery believes that the Egyptian officer clique wants a "general working alliance" with the United States but not with Great Britain. Egyptian reserve toward the British arises partly from nationalism in the army, where there is much sentiment for "evacuation before negotiations." At present, he states, the Egyptian military has no interest whatever in even talking with the British; he adds that it would be unwise for the United States at this time to try to associate Britain in any talks with the Nagib government.

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

The Ambassador warns, nevertheless, that the Egyptian military may be unable to control the forces it has released and that it may change its present objectives. Such possibilities may be decreased, he adds, by a constructive United States approach, particularly in the technical assistance field.

WESTERN EUROPE

7. Soviet officials in Vienna shun trade talks with Austrians:

Austrian Foreign Minister Gruber has informed the American Embassy that Soviet Political Adviser Kudryavtsev, whom he met at the Vienna Trade Fair, professed no knowledge of an Austrian note offering to open trade negotiations. Neither he nor any other Soviet official showed any desire to talk about possible Austro-Soviet trade.

3.3(h)(2)

The Austrian Foreign Ministry interprets this as evidence that its note thwarted Soviet plans for an intensive propaganda barrage on behalf of East-West trade. If this barrage should later materialize, the Austrians believe that release of the Austrian note will "demolish" the Soviet position.

Comment: It is too early to determine the probable Soviet reaction to the Austrian note. The Austrian Foreign Ministry, which disregarded American objections in making the offer, is anxious to demonstrate that its action has had favorable consequences.

~~TOP SECRET~~

3.5(c)