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3.

4. French official states views on Indochina situation:

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The French Minister of Associated States, Letourneau, who has just completed an inspection trip throughout Indochina, told the American Minister in Saigon that while the outlook is "by no means hopeless it is far from optimistic." He was discouraged by the performances of Bao Dai and Premier Huu, and had warned them that France might not continue its sacrifices unless the Vietnamese Government showed signs of improvement.

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Although Letourneau vehemently denied any possibility of a rapprochement with the Viet Minh, he carefully avoided comment on rumors that France might negotiate with the Peiping regime to cease its aid.

Comment: Increasing popular dissatisfaction with the Vietnam Government, particularly in the critical Tonkin delta region, has been evident in many recent reports.

French commercial circles in Indochina are known to be in favor of reaching some arrangement with the Chinese Communists which would halt further aid to the Viet Minh.

5. Burmese Cabinet shakeup expected:

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The American Embassy in Rangoon reports that the Burmese Premier is expected soon to approve a Cabinet shakeup dictated by the Socialists. Changes are to include the installation of Socialist Party leader U Ba Swe as Defense Minister and the appointment of Thakin Tin, chief author of the Land Nationalization Act, to the newly-created post of Minister for Land Nationalization. The Embassy comments that this reshuffle appears to promise a stronger Cabinet and that no change in foreign policy is indicated.

Comment: Both U Ba Swe and Thakin Tin are self-admitted extreme leftists who have never concealed their anti-Western attitudes and their admiration of Communist China and the USSR. They also retain friendly relations with leaders of the pro-Communist Burma Workers and Peasants Party.

The American Army Attaché in Rangoon was recently informed that Commander in Chief Ne Win was opposed to an appointment of U Ba Swe as Defense Minister and that rumors of a coup were "cropping up" again among government officials.

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NEAR EAST - AFRICA

6. Cabinet change in Egypt rumored:

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[redacted] the present Egyptian Cabinet under Ali Maher may soon be replaced by a government headed by Hilali Pasha, a former high official in the powerful Wafd Party. If this should occur, Parliament would be dissolved and the country ruled by decree for several months.

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[redacted] the rumored Hilali Cabinet would deal ruthlessly with Wafd Party corruption. Positive concessions by Great Britain on the Suez base and Sudan issues might enable Hilali to win popular support away from the Wafd Party.

Comment: King Farouk would gain little advantage now in dismissing the present government, which won the initial support of Egypt's major parties, including the Wafd, and which is in the good graces of the British Government.

Since Ali Maher became Premier on 28 January, some student opposition has been noted, occasional terrorist activities have occurred, and the Wafd Party has made veiled threats to withdraw its support from the government.

Hilali was rumored to be in line for the Egyptian premiership when the Wafd government was ousted on 27 January. If he should suddenly replace Ali Maher, he too would face the prospect of losing Wafd support and would almost necessarily be forced to dissolve Parliament, which the Wafd controls. Rule by decree would increase Egypt's internal problems, no matter who were Premier.

LATIN AMERICA

7. Comment on proposal for partly-nationalized oil company in Venezuela:

A newly-formed group of American business-men have petitioned the Venezuelan Government for oil concessions and

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have offered that government partial control of any resulting operations. The group, [redacted] appears to have considerable capital at its disposal and has taken the position that an arrangement such as it proposes "would be a palliative rather than a stimulus" to sentiment for nationalizing the industry. United States Embassy officials are apprehensive about the activities of this group.

Although there has always been a latent resentment of foreign control of the oil industry, Venezuelan sentiment favoring nationalization has never found an influential spokesman either from the right or the non-Communist left. Venezuelans have been generally satisfied with the benefits accruing to the country from foreign development of its petroleum resources.

The proposal for a partly-nationalized company therefore appears to be premature. There is no indication at present that the Venezuelan Government is particularly anxious to accept it, but any publicity for the proposal might create a new focus for nationalistic sentiments.

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