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SECURITY INFORMATION

16 March 1952



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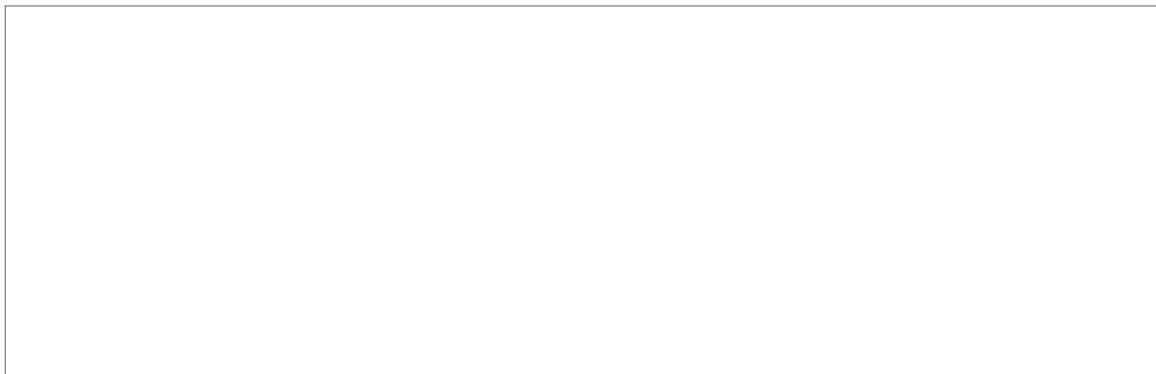
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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FAR EAST

3.3(h)(2)

1. Sino-Soviet negotiations on Korea and Formosa reported:

Sino-Soviet "negotiations" on policies for Korea and Formosa, which began on 15 February, were still in progress on 1 March.

The USSR is said to desire that the Korean talks be delayed indefinitely, so that India and other Asian states can press for UN or Big Three discussion of the Korean question and all Asian problems.

The Chinese, who consider the conquest of Formosa their primary objective, reportedly fear that an attempt to invade Formosa would provoke the United States to extend the war into China. The USSR prefers that the Formosa operation be postponed pending a Big Three meeting.

Comment: The USSR has made several attempts to transfer the Korean talks to the UN Security Council, where decisions would be subject to Soviet veto. The USSR made several feelers during 1951 regarding a Big Power meeting, but there have been no new overtures in recent months.

Peiping's propaganda has frequently demanded control of Formosa as a condition for a Korean settlement and has often called for an international conference to settle outstanding Asian problems. Many sources have reported that Peiping still hopes to acquire Formosa as part of a general Asian settlement.

2. Koenig may succeed De Lattre in Indochina:

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the posts of High Commissioner and Commander in Chief of French Forces in Indochina are again to be held jointly by a military man, probably General Pierre Koenig, Gaullist deputy in the National Assembly.

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Koenig's appointment to this post would be acceptable to French civilian and military authorities in Indochina.

Comment: Chairman of the Assembly's National Defense Committee, Koenig was formerly Chief of French Forces in Germany, where he succeeded De Lattre on the Allied Control Council.

NEAR EAST - AFRICA

3. Egyptian Government threatened by increasing domestic problems:

the Wafd

3.3(h)(2)

Party has ordered a revival of student agitation and a renewal of the so-called "Liberation Battalion" operations against British military forces in the Suez Canal zone. former 3.3(h)(2) Premier Nahas Pasha, leader of the Wafd, and Ali Maher, Prime Minister Hilali's immediate predecessor, have agreed to join forces against King Farouk.

King Farouk,

3.3(h)(2)

has been compromising Hilali's efforts to eliminate governmental corruption by trying to obtain cabinet appointments for two "corrupt and unscrupulous" palace favorites.

Comment: The American Ambassador in Cairo has pointed out that Hilali has little support other than that of the palace, and that even this is of questionable value. During the past few weeks the Wafd Party has apparently been reorganizing for a showdown with the Premier.

4. British Cabinet defines concessions to be offered Egypt:

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The British Cabinet has authorized Ambassador Stevenson to offer the Egyptian Government the progressive withdrawal of all British combat troops from the Canal zone in return for Egyptian participation in a Middle East defense organization.

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A proposed joint communique would commit both governments in principle, leaving the implementation of the agreement to subsequent negotiations which would include other interested powers. Stevenson is given discretion to promise that, if conditions within Egypt permit, some British forces will be evacuated as soon as formal Anglo-Egyptian negotiations get under way.

With regard to the Sudan, Britain will propose that the Governor General form a "Sudan Council of Ministers and Parliament," whose interim decision on the issue of King Farouk's "symbolic sovereignty" over the Sudan will be accepted by the United Kingdom.

Foreign Secretary Eden has told the US Ambassador in London that he feels the Cabinet has made what for the moment are its maximum concessions to Egypt.

Comment: The British and American Ambassadors in Cairo have both insisted that nothing short of Britain's recognition of King Farouk's new title will induce Egypt to begin negotiations for a general Anglo-Egyptian settlement.

For reasons of general prestige the British Cabinet has been very reluctant to take any action which could be interpreted as a repudiation of previous pledges to make no constitutional changes affecting the Sudanese without consulting them.

5. Pakistan offers to delay presentation of Tunisian issue:

According to a Pakistani Foreign Office spokesman, his government informed France that it would delay presentation of the Tunisian issue to the Security Council provided France were willing to release the imprisoned nationalists and stop repressive measures.

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He added that Indonesia is actually the prime mover in presenting the Tunisian problem, although Pakistan has assumed the chairmanship.

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Comment: The French Foreign Office is attempting to dissuade Pakistan from presenting the issue, but continues to insist that, before nationalist leaders can be released, the Tunisian Government must withdraw its petition for Security Council arbitration of the French-Tunisian disagreement.

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Pakistan is not an enthusiastic sponsor in this instance, but agreed to act in order to improve its position as a leader of the Moslem world. Iraq, not Indonesia, is the most active supporter of the Tunisian cause.

WESTERN EUROPE

6. Spanish reported pessimistic on inclusion in Western defense:

3.3(h)(2)

[redacted] on Spanish press charges that France will veto any effort by the United States to include Spain in NATO, states that optimism initially created by Portuguese support during the NATO meeting in Lisbon has given way to a "profound depression." He attributes the change to the silent reception given the Portuguese Minister's plea for Spanish participation and to a recent announcement of increased US military and financial aid to France.

Comment: With the fall of the British Labor government, France became the chief target of Spanish attacks for allegedly obstructing Spain's participation in Western defense. Anti-French feeling has reached such heights since the Lisbon meeting that the rearmament of France is now characterized as a threat to Spain.

The Madrid government may, therefore, be preparing to press in the forthcoming US-Spanish negotiations for a tripartite military agreement among the United States, Spain, and Portugal, based on the Pyrenees line.

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