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17 August 1952

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Copy No.

57

CURRENT INTELLIGENCE BULLETIN

50X1

DOCUMENT NO. 25

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: 18 Dec 79 REVIEWER:

Office of Current Intelligence

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CENTRAL INTELLIGENCE AGENCY

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NEAR EAST - AFRICA

2. Shah reportedly accepts subordinate position in Iran:

[Redacted] The Shah is reconciled to a subordinate role in Iranian affairs, [Redacted]

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The Chief of Staff no longer reports to the Shah, and he is not consulted on army appointments or transfers.

The Shah's policy now is to keep the National Front as a coherent unit and he is determined to give unqualified support to Mossadeq. His advisers are urging him to support the more moderate elements of the National Front, who are best able to discourage Kashani from any alliance with the Tudeh.

Comment: Acceptance by the Shah of this subordinate role would remove nearly all possibility of an army coup against Mossadeq. The Shah is still in a position, however,

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[redacted]

to give useful support to Mossadeq in his struggle with the increasingly powerful extremist group led by Kashani.

3. Dissensions reported within the Wafd Party:



Former Senate President Al Urabi, now chairman of the Wafd Party's internal purge committee, is in conflict with top Wafd leaders Nahas and Serageddin over the use

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and direction of the committee,

[redacted] Al Urabi is insisting that Nahas delegate him full authority to expel any member of the party, including Nahas himself, if warranted.

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Comment: Since the return to Egypt of Nahas and Serageddin from Europe in apparent expectation that the Wafd would again come to power following Farouk's abdication, their relations with the military regime have not been good. The army group has indicated that it is not satisfied with the extent to which these leaders have eliminated corruption from Wafd ranks.

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A split within the Wafd at this time might destroy its politically preeminent position.

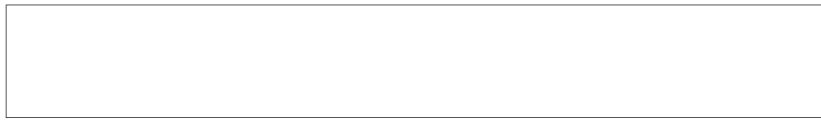
EASTERN EUROPE

4. Tito discusses plans for military talks with Greece and Turkey:



Marshal Tito has informed Secretary of the Army Pace that relations with Greece and Turkey are steadily improving and

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that the forthcoming visit of a Yugoslav military delegation to Athens will be followed shortly by a similar visit to Ankara. Tito repeated, however, that at the present time no formal military pact is necessary, though one could emerge quickly whenever required.

Ambassador Allen points out that there is "much evidence" that the Yugoslav Government genuinely desires closer relations with Greece and Turkey.

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WESTERN EUROPE

5. Allies plan course of action if Berlin transportation systems are cut:

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The Allied Deputy Commandants in Berlin have agreed to inform city authorities that if the Communists stop elevated train service to the west sectors of Berlin, no counter-measures will be taken against the elevated or subway systems. Instead, passengers will be carried by all available buses and trains, including about 30 Allied buses and 55 Allied trucks.

No decision was made by the Commandants on action to be taken if the Communists continue running elevated trains through West Berlin, but without stopping at West Berlin stations.

If the Communists split the subway system, the Berlin Senate will immediately prevent subway trains from leaving the western sectors.

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Comment: Interruption of the Berlin transportation system is expected by many American officials as one of the next steps in Communist harassment of Berlin. The West is reluctant to take measures against the elevated system because it is part of the East German-owned state railway, on which Berlin's rail connection with the West depends. The Berlin subway, however, is municipally owned.

6. Increased defense support allocations to Italy urged:

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The American Ambassador in Rome estimates that, at best, the democratic parties in Italy can obtain only a narrow popular majority in next year's national elections, and that the entire postwar American investment of \$2,250,000,000 is now in jeopardy. He adds that early allocation of \$50,000,000 as the first installment of defense support for fiscal year 1953 is imperative to assure victory for the democratic coalition.

The total sum to be allocated to Italy in 1953 has not yet been determined, but American officials in Rome believe that it should be "considerably more" than the \$80,000,000 necessary to redress the country's expected imbalance of payments.

Comment: Treasury Minister Pella has stated that \$200,000,000 in aid is essential if Italy is to meet its NATO commitments in this fiscal year.

Present indications are that American economic aid alone will be insufficient to ensure a democratic victory in the 1953 elections, because the government has not solved basic economic problems of high unemployment, low living standards, and deflation.

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7. Denmark disturbed over Soviet pressure in Baltic:

The Danish Government has requested its ambassadors to inform the United States, Great Britain and France of its concern over increasing Soviet pressure regarding

the Baltic island of Bornholm.

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The Danish Government feels that the protection of Bornholm and the maintenance of the Baltic as an open sea are of concern to Denmark's NATO allies also. It hopes that other NATO members may have "some constructive action to suggest."

Comment: Pravda has attacked the Danes for allegedly agreeing to permit US air and naval units to use Bornholm in the Baltic NATO maneuvers scheduled for September.

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