

~~TOP SECRET~~ (Editorial)

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GENERAL

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1. Vessels sailing for Communist China misrepresent destination:



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Communist-chartered and other vessels bound for China from Europe with strategic cargoes are declaring Port Said as destination.

From Port Said the ships declare for Aden, Colombo, Singapore and Hong Kong, then proceed to China. The British Admiralty believes these are precautionary measures in anticipation of a possible naval blockade of the China coast, in which event these vessels could unload in Indian ports for transhipment via nine Soviet and Satellite vessels now in Indian waters delivering grain. The Admiralty is of the opinion that the USSR believes its ships would neither be stopped or molested by a naval blockade of China.

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Comment:

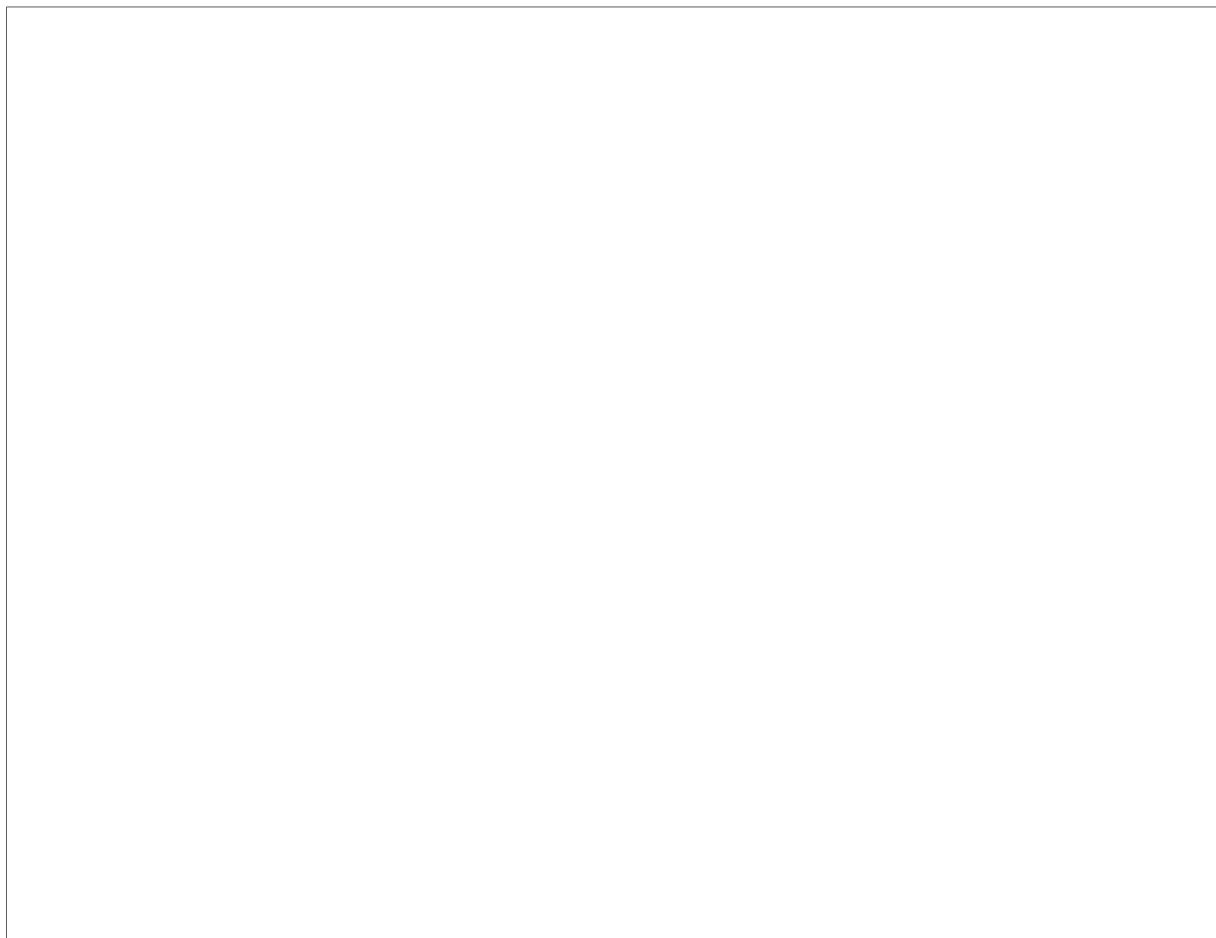
the shipment of strategic goods to Communist China from Europe in vessels owned or chartered by Soviet orbit countries. It is possible that the plan of declaring for other than Chinese ports may be a precaution against incidents similar to the recent seizure by the Chinese Nationalist navy of the German vessel Mai Rickmers. Another precaution now being taken is the discharge of cargoes onto junks off South China to avoid possible interception along the China coast.

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FAR EAST

50X1 3. Chinese Communist Fourth Field Army units withdrawing from Korea.



The Intelligence Staff of the US Far East Command accepts the withdrawal of the Chinese Communist 50th Army from Korea to an unlocated destination in China or

Manchuria. FECOM comments, further, that a heavy volume of reports has been received indicating that the Chinese Communist 38th, 39th, 40th and 42nd Armies have also been withdrawn. No contact, other than with isolated deserter prisoners, has been made with any of these units since

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before the Communist mid-April offensive.

Comment: These five crack Chinese Communist Fourth Field Army units were the first Chinese troops to enter Korea, along with the since-withdrawn 66th Army from the North China Military Area command. Having borne the almost continuous brunt of the earlier campaigns, their strength and effectiveness is believed to be greatly reduced.

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5. Iranian financial need increasing pressure on Prime Minister:



US Ambassador Grady in Tehran reports that the Anglo-Iranian Oil Company has made no monthly advance of funds to Iran since 31 March 1951. With the Iranian

Government already failing to meet all its current objections, suspension

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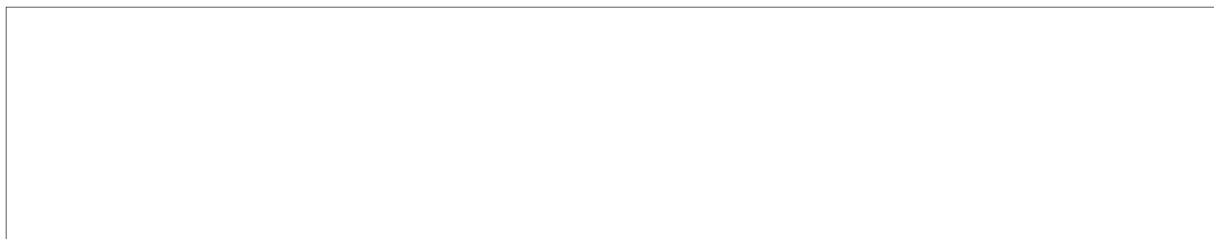
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of AIOC advances is undoubtedly having a detrimental effect on the fiscal and budgetary situation; but the Ambassador reports that the Government may be able to get by for two or three months and possibly longer. Prime Minister Mossadeq, however, greatly fears a financial crisis.

Comment: In the post World War II period, the Iranian Government has been chronically short of funds. Since roughly 40 per cent of its income has been AIOC payments, it is obvious that the suspension of these payments will cause most serious financial difficulties, possibly even earlier than indicated above. The UK is naturally aware of the persuasive effects of withholding these payments.

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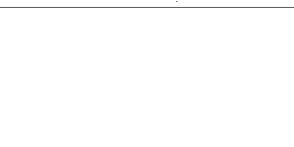
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EASTERN EUROPE

7. Yugoslav Foreign Minister announces Popovic visit to US:



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Yugoslav Foreign Minister Kardelj has announced publicly that Chief of Staff Koca Popovic is now in the US for talks with US officials regarding the possibility

of acquiring armaments for the Yugoslav Army. Kardelj explained that his government is seeking arms from the West solely to ensure Yugoslav independence and contribute to the consolidation of peace in the Balkans. He stated that this step had been necessitated by the rearmament of Yugoslavia's Cominform neighbors in violation of their peace treaties.

Comment: The publicizing of Popovic's visit contrasts markedly with the previous Yugoslav desire for secrecy regarding its overtures for Western arms. As late as April 1951, the Tito government expressed serious concern to US officials over a news leak revealing Yugoslav efforts to obtain Western arms, because the leak afforded Soviet propaganda justification for allegations that the Yugoslav Government had joined the Western bloc. Kardelj's revelation of Popovic's visit suggests that Yugoslav concern over declining popular morale has overcome previously manifested reluctance to reveal its arms negotiations with the West. The public announcement was probably made to demonstrate to the Yugoslav people, as well as to the USSR, the close working relationship between Yugoslavia and the US. An additional motive for the Yugoslav move may be further to commit the US to the Yugoslav armament program.

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8. Embassy Belgrade's views on Yugoslav sponsorship of Albanian exiles:

Embassy Belgrade regards Yugoslav sponsorship of an Albanian refugee organization primarily as a counteraction to the activities inside Albania of Western-sponsored Albanian exiles. The Embassy does not believe that Yugoslavia is likely to precipitate any action which might give the Soviet Union an excuse for aggression under a guise of defending Albania. Since the Yugoslav Government hopes eventually to see a friendly national communist government established in Albania, the Tito regime is undoubtedly supporting dissident Albanians in Yugoslavia willing to work toward this end. The Embassy believes that, in the event of a genuine revolution in Albania, the group favoring national communism would receive covert Yugoslav assistance as a counterforce to elements supported by the West.

Comment: The publicity which the Yugoslav press has given the founding of an Albanian exile committee in Yugoslavia in May suggests that its immediate purpose is to challenge Western leadership of Albanian resistance groups.

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Because of the Yugoslav Government's precarious position, as well as its unpreparedness to upset the Hoxha regime, Tito probably has no immediate intention to use the Albanian refugee organizations for overt action against Albania.

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WESTERN EUROPE

9. French expect four-power conference on German defense force:

The French envisage a four-power conference (US, UK, France, and Germany) to reconcile anticipated differences between the final reports of the two separate conferences that have been taking place on (1) a German defense contribution to NATO, and (2) the formation of a European Army. (Reports on both conferences are expected within a month.) French NATO Deputy Alphand has stated

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that the present French Government wants a German defense contingent immediately and that defense measures, including German rearmament, should not be delayed because of fear of provoking the USSR. He warned, however, against recreating the German army, the general staff, and the power of the Ruhr industrialists.

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