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AUSTRALIA - NEW ZEALAND

1. New Zealand may propose assignment of British officer to ANZUS:

[redacted] According to a New Zealand official, Prime Minister Holland of New Zealand may propose that a British officer be assigned to the military staff of ANZUS, possibly as a liaison officer from ANZAM, an informal group set up for military discussions among Australia, New Zealand and Malaya.

3.3(h)(2)

The same official indicated that New Zealand was disturbed by the lack of joint British-American planning for the defense of Southeast Asia and that Holland may bring up the subject during his forthcoming visit to Washington.

Comment: New Zealand, in contrast to Australia, has been sympathetic to British attempts to gain representation in ANZUS. An Australian official has indicated that the subject would probably be discussed at the prime ministers' conference after the coronation in June.

NEAR EAST - AFRICA

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3. Ambassador Caffery comments on suspension of Anglo-Egyptian talks:



Ambassador Caffery believes that suspension of the Anglo-Egyptian defense talks was inevitable under the present circumstances and that Egypt's objective is to confront Secretary Dulles with a crisis in the hope of obtaining United States support.

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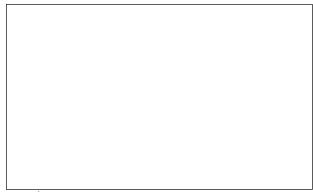
Caffery states that if the foreign ministers of the Arab League, now meeting in Cairo, announce their support of Egypt in the Anglo-Egyptian dispute, "Egypt will have completed its political arrangements for the secretary's visit."

Comment: There has been a certain amount of Egyptian maneuvering in anticipation of Dulles' visit, but the talks actually snagged on a basic disagreement.

Despite considerable behind-the-scenes bickering in the Arab League, Egypt may once again gain the League's formal support.

General Nagib agreed on 7 May to Ambassador Stevenson's request not to declare the negotiations terminated.

4. Wafd and Communists plan to exploit failure of Anglo-Egyptian talks: 3.3(h)(2)



All Wafdist groups have been ordered to exploit fully the expected breakdown of the Anglo-Egyptian defense talks.

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Wafdist leader Nahas believes that failure of the talks will create a serious internal crisis for General Nagib's government.

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Collaboration between the radical Wafdist Youth and the Communist-front organization "HADITU" is increasing,

leaders, previously cool to associating with the Communists, are now reportedly seeking their cooperation against Nagib's regime.

Wafdist 3.3(h)(2)

Comment: Any Wafdist and Communist efforts to exploit the suspension of the Suez talks will induce the Nagib regime to assume a more obdurate attitude in order to emphasize publicly its "nationalistic attitude." Opposition activity, if it becomes strong enough, could accordingly result in government encouragement of guerrilla activity against the British.

EASTERN EUROPE

5. Increase in Satellite fighter strength indicated:

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Comment:

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[redacted] five of the divisions to Poland, three each to Bulgaria and Rumania, and two each to Czechoslovakia and Hungary. The Satellite air forces are believed to include a total of 700 jet aircraft. Authorized strength of known Eastern European fighter units is approximately 1600 aircraft.

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WESTERN EUROPE

6. USSR allegedly to propose Trieste referendum:

Comment: There have been several recent reports that the USSR would make some proposal regarding Trieste which would strengthen the Italian Communist Party in the forthcoming elections.

In September 1952, Premier de Gasperi stated publicly that Italy would consider a plebiscite a satisfactory solution of the Trieste issue. Such a proposal, therefore, would appeal to Italian sentiment and embarrass the West without jeopardizing the Soviet position.

There is evidence that Yugoslav leaders also fear an imminent Soviet maneuver on Trieste. Recent indications are that Yugoslavia may be shifting its line on Trieste from public support of a condominium to one advocating a permanent partition, which is supported by London and Washington.

7. France opposes US tactic on revising Austrian treaty draft:

American officials in Paris warn that if negotiations with the USSR over the Austrian treaty reach an early impasse through American insistence on revising the old draft treaty's Article 35, the French Government may state publicly its acceptance of the article in its present form.

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In discussions with the British and American ambassadors in Paris, the French have reiterated their view that insistence on revision would shift to the West the blame for stalling the treaty and give the Soviet "peace" offensive a resounding victory at no cost.

Comment: While there has been some indication that the French have wished to delay a showdown on the questions of Germany and EDC, their objections to the US-proposed strategy on the Austrian treaty appear sincere.

There is also reason to believe that the previous support London and Vienna have given to revision of the draft treaty is based on the assumption that Washington will accept Article 35--the economic provisions--as it stands should this prove to be the only obstacle to a settlement.

8. French sentiment developing for four-power talks:

French Socialist leader Guy Mollet believes that there is very strong sentiment in France for putting the Russian "peace" offensive to the test of four-power talks. Though few

3.3(h)(2)

Frenchmen believe that Soviet aims have changed or that talks would have major results, Mollet feels that the Russians are off-balance and that the West would benefit by forcing the pace.

Comment: While Mollet is presumably influenced by the desire to satisfy the wing of the Socialist Party led by Jules Moch, whose UN disarmament proposal seems to be gaining support in French government ranks, there is sentiment in all French parties for another attempt at four-power talks.

In the recent municipal election campaign the Socialists advocated calling a four-power conference in case the party finally decided to oppose EDC. Many party members reportedly consider delay on the treaty desirable on the grounds that the Russians are more likely to make concessions before than after ratification.

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LATIN AMERICA

9. Bolivia believed ready to settle tin problem:

Ambassador Sparks believes that the Bolivian Government is now prepared to settle with the former owners of the three nationalized mining companies. He describes this as a radical change in policy influenced by American pressure for settlement of the compensation problem and refusal to discuss a term contract. 3.3(h)(2)

The same pressure, however, has made the United States vulnerable to strong criticism in Bolivia and throughout Latin America. The ambassador notes that the new Bolivian policy can be implemented only if Bolivia retains its American market for tin.

The majority opinion in Bolivian government circles, according to the foreign minister, is that the United States does not intend to reach an agreement but is merely waiting for economic deterioration to cause the government's overthrow.

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