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3. USSR reportedly offers to barter manganese for butter at US price (page 4).

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GENERAL

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3. USSR reportedly offers to barter manganese for butter at US price:

An East-West trader recently in Moscow has proposed to United States officials in Bonn to barter Soviet manganese ore for 50,000,000 pounds of American butter at the full support price.

The American officials state that this proposal allegedly originated with the Soviet trade mission in Berlin. They also cite recent indications of lack of demand in West Germany for Soviet manganese.

Comment: There have been several recent Soviet offers to purchase large quantities of American butter, but this is the first offer to trade at the American support rather than at the world market price, which is about 19 cents lower.

SOUTHEAST ASIA

4. Viet Minh work on airfield identified as demolition:

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Comment: Na San, about 100 miles west of Hanoi in western Tonkin, was a French strongpoint in the campaign of 1952-53 similar to Dien Bien Phu in this year's campaign. It was supplied wholly by air and was evacuated in August 1953. The Viet Minh apparently fears that the French might reoccupy and reactivate the airfield.

5. Burma not to extend cease-fire for evacuation of Chinese Nationalists:



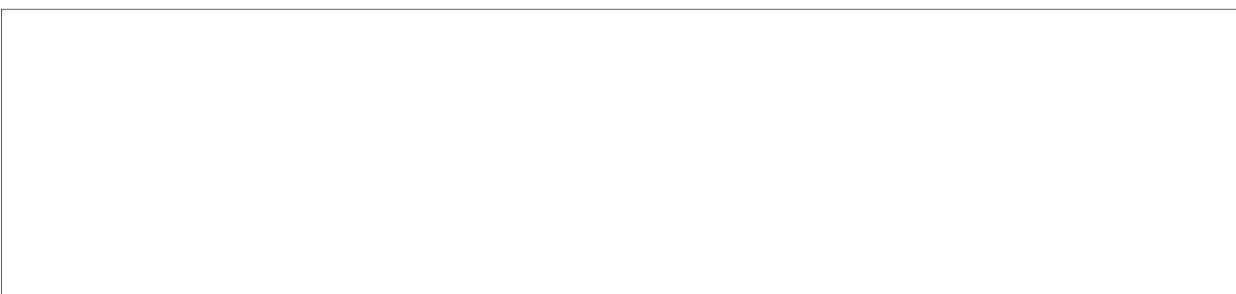
[Redacted content for point 5, section 2] Rangoon will not extend the cease-fire deadline beyond 28 February. Instead, the army will launch a major attack on the remaining Chinese Nationalist forces about 1 March. Three Burmese brigades, totaling about 8,000 men, are said to be concentrating in the southern Shan States in preparation for an attack on the Chinese headquarters at Mong Hsat.

Comment: The American embassy in Rangoon on 25 February reported the redeployment of Burmese forces in the Shan States, but on a much smaller scale than suggested above.

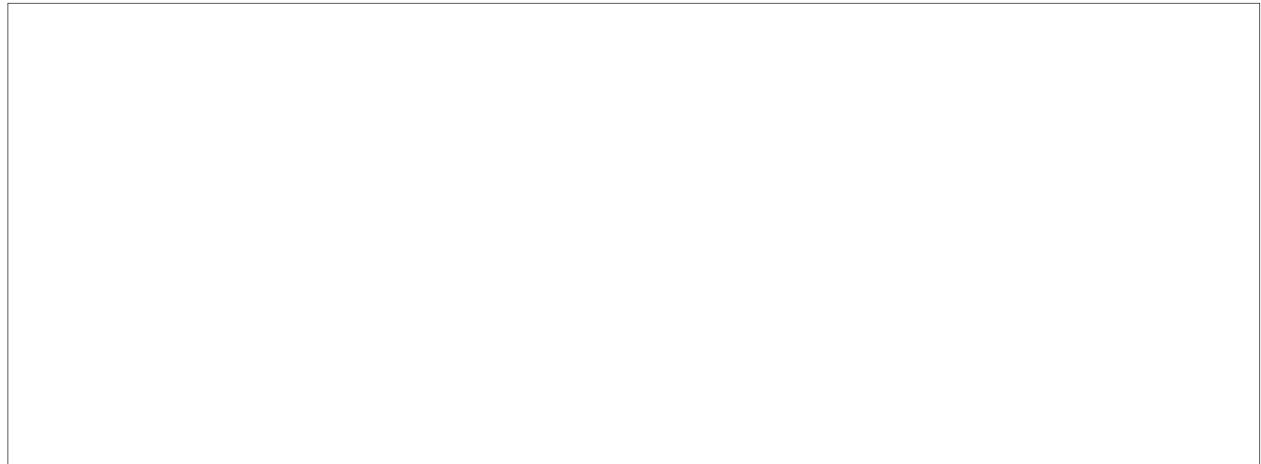
On previous occasions Rangoon, while showing considerable impatience at the slowness of the evacuation, has granted last-minute cease-fire extensions. The Burmese ambassador in Thailand recently indicated that the cease-fire would probably be extended, but it is possible that Rangoon may believe that the Nationalist forces are now so disorganized that the success of an all-out attack would be assured.

NEAR EAST - AFRICA

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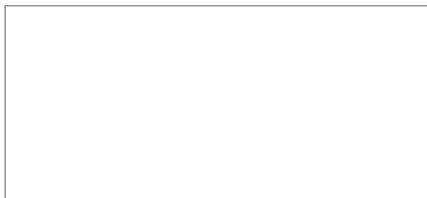
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7.



8. American technicians report favorably on Iranian oil installations:



American technicians who recently visited Abadan and the Iranian oil fields with the 20-man oil consortium inspection team

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report that the refinery is operating at about 45,000 barrels per day, roughly half of which is being pumped back into the ground. A rate of 100,000 barrels per day might be attained within two months.

Crude oil is available now for shipment as soon as there are tankers and markets. The technicians noted that the fields and refineries are "in exceptionally fine condition" and that AIOC procedures and accounting records have been maintained.

Rough estimates indicate that \$5,000,000 to \$10,000,000 may be required initially to replace transport and rebuild the stockpiles.

Comment: The opinions of the American technicians probably parallel the report which the inspection team will make to the consortium, which has been waiting for it in order to evaluate the operating and marketing problems it might face.

The report which oil adviser Torkild Rieber recently made to Tehran agrees in general with these findings. The similarity indicates that there should be little ground for dispute between Iran and the consortium over the current capabilities of the oil installations.

The condition of the installations suggests that finding markets for Iranian oil may be the main concern of the consortium.

9. Dissatisfaction within Egyptian armed forces reported following Nagib's removal:

[redacted] General Nagib's popularity with the Egyptian armed forces should "never be underestimated,"

[redacted] The officer told the American army attaché in Cairo on 25 February that he and his friends in the army are "thoroughly disgusted" by Nagib's removal.

The American army attaché commented that Nagib's dismissal represents the first major threat to continued army support for the regime, and stated that the majority of Egyptian army officers, "the most powerful group in Egypt," were depressed over the situation.

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Comment: At the moment Colonel Nasr's regime has control of the armed forces. Despite its claim that it has the backing of the important "Free Officers" group for its action against General Nagib, widespread dissatisfaction within the officer corps would represent a serious threat to Nasr's position.

10. Former premier sees increased threat to Libyan unity:

Former prime minister Muntasser told American minister Villard on 23 February that resentment against King Idriss is developing in the important western province of Tripolitania. He said that although leadership is presently lacking, "the moment is ripe" for Tripolitanian secession because of the concentration of power in Cyrenaican hands in the new government.

Muntasser added that he could not understand the apparent lack of British interest in the possible consequences of recent developments.

Comment: Minister Villard has previously expressed concern over Britain's failure to exert its full influence to support a strong federal government in Libya and to direct the king's actions.

The new palace-dominated government, susceptible to Egyptian influence, is likely to weaken further the federal structure of the country and cause separatist sentiment.

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