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5 August 1952

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Copy No. 53

CURRENT INTELLIGENCE BULLETIN

3.5(c)

DOCUMENT NO. 14
NO CHANGE IN CLASS A
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: MR 70-2
DATE: 17 Dec 79 REVIEWER: 3.5(c)

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Iranians reportedly planning to attend "Leipzig Economic Conference":

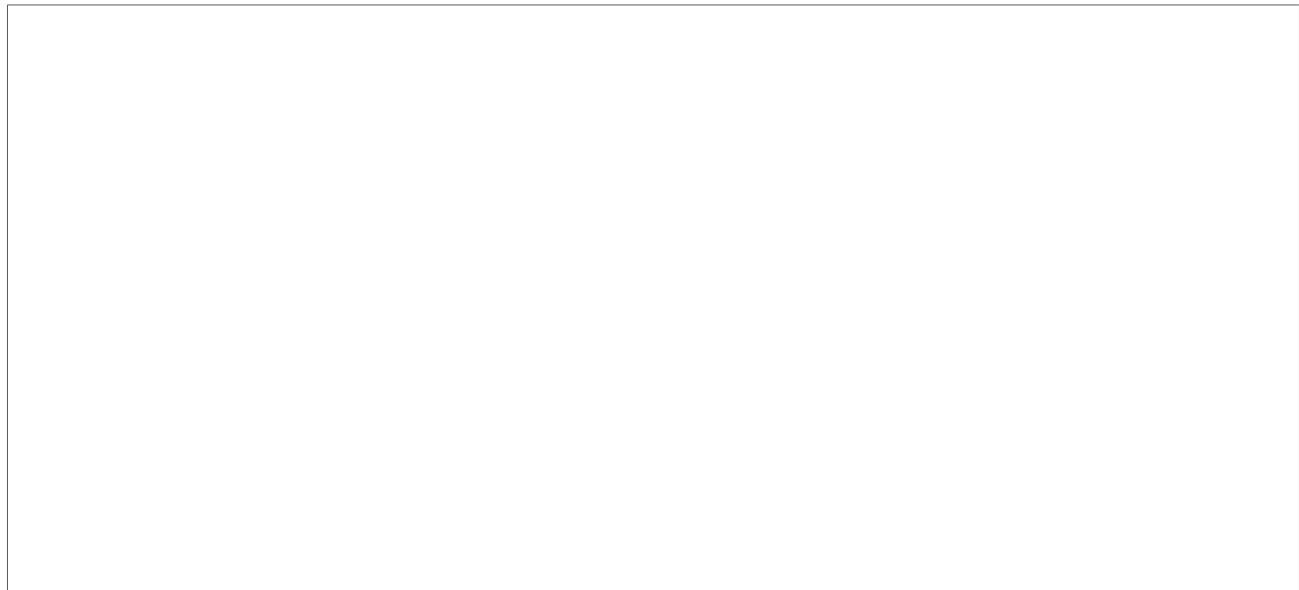
[redacted] an Iranian committee headed by a delegate to the Moscow Economic Conference is preparing to attend a "Leipzig Economic Conference" scheduled for early September as a follow-up to the Moscow conference.

3.3(h)(2)

Comment: The international trade fair at Leipzig, scheduled for 7 to 17 September, will afford an opportunity for renewed Soviet trade propaganda. East German broadcasts have claimed that the fair will permit Western representatives to see that the Soviet bloc nations "are ready to trade in all directions."

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FAR EAST

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Comment: The burden of day and night defense of the Yalu River in the past has rested almost exclusively on Soviet MIG-15 units and on the Soviet early-warning and GCI net.

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This newly-noted night activity on the Chinese early-warning net, [redacted] may signal the beginning of a greater CCAF role in the air defense of the Yalu River.

3. Reports on China border situation alarm Burmese Commander:

3.3(h)(2)

[redacted] that he was alarmed over reports from his agents on the Burma-Yunnan border and suspected that the "Communists may be up to something." He plans to make a special trip to that area within a few days to investigate the situation.

The attache believes that any Chinese Communist build-up on the border would be a threat to Chinese Nationalist troops in that area rather than to the Burmese Government.

Comment: There are believed to be 20,000 to 30,000 Chinese Communist troops in southwestern Yunnan. Recent reports of a movement into Burma of three Chinese-trained Burmese Communist regiments, possibly accompanied by a small number of Chinese Communist troops, may have caused Ne Win's concern.

NEAR EAST - AFRICA

4. National Front moves to control Iranian armed forces:

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[redacted] Deputy Minister of Defense [redacted]

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[redacted] that there will be no radical reshuffling of senior military officers. [redacted]

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[redacted] however, that the Shah has agreed to the appointment of Mossadeq's cousin, Brigadier General Amini, as acting Chief of Staff. He comments that this appointment of a relatively junior officer will make the position of senior officers extremely difficult.

[redacted] that there 3.3(h)(2)

is some talk of a coup among senior officers. He believes that a coup would have little chance of success once the National Front has placed its supporters in key army positions.

5. Egyptian Prime Minister outlines his program:

3.3(h)(2)

[redacted] Prime Minister Ali Maher has told Ambassador Caffery that he will not allow the Wafd-controlled Parliament to be reconvened. He intends to discredit the Wafd, which he believes already shows signs of decay. Elections will be postponed for six months to give him time to form a new political party.

Maher also outlined agrarian and social reforms. He does not expect to resume negotiations with the British at present. He indicated, however, that he does not disapprove of participation in a Middle East defense organization and hopes that the United States will help equip the Egyptian Army.

Maher characterized some of the leaders of the military coup as hot-headed and impractical, but felt he could control them.

Comment: Wafd leaders are reportedly disappointed with developments during the past several days. The Wafd, with the only well-established political organization in Egypt extending down to village level, will not easily be outvoted even if elections are postponed to permit the development of a new party.

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WESTERN EUROPE

6. French-German talks on Saar leave hope for settlement:

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[Redacted]

According to high French Foreign Office officials, exploratory conversations on 1 August between Foreign Minister Schuman and West German Under Secretary of State Hallstein showed that the German position on the Saar leaves room for compromise. Schuman apparently did not reject the German suggestion that some French territory be ceded to a Europeanized Saar, but did point out the political and constitutional problems involved.

Hallstein voiced a preference for placing the Saar under the High Authority of the Schuman Plan, whereas Schuman wants the Council of Europe to be responsible for the Saar's foreign relations. The talks are to be resumed on 7 August.

Comment: In urging that the Council of Europe handle the Saar's foreign relations, Schuman anticipates that it will probably be the less aggressive organization and hence less inclined to check French dominance in the territory.

According to the Saar Minister of the Interior, Schuman had previously expressed pessimism regarding the negotiations with Hallstein and had favored direct talks with Adenauer.

7. Comment on Chuikov protest on German interzonal trade restrictions:

The note from Soviet Control Commissioner Chuikov protesting Western "interference" in trade between East and West Germany, delivered on 1 August, the same day a new interzonal trade agreement was signed, suggests an effort to justify measures to reduce traffic between West Berlin and the Federal Republic. It also reflects dissatisfaction with the amount of strategic items East Germany will be able to obtain under the new agreement.

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The note is in line with previous Soviet efforts to blame the West for interzonal trade restrictions and to capitalize on the discontent of West German businessmen. It may have been delivered in anticipation of the closing of the Berlin-Helmstedt autobahn and subsequent Western countermeasures. The protest could thus be laying the groundwork for charges that the West is precipitating a new crisis.

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