

**TOP SECRET**

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**CENTRAL INTELLIGENCE AGENCY**

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## FAR EAST

1. French officers disturbed over Tonkin military situation:

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Several French officers in Tonkin who are on close personal terms with US Consulate officers have expressed concern at current heavy French casualties, which they believe are double the

official figures. They are also disturbed at the increasing unreliability of Vietnamese troops, and at the increasingly effective artillery of the Viet Minh. The Consulate comments that the Viet Minh appears, at least for the time being, to have assumed the initiative, and that continued Viet Minh pressure has taken on a quality of "endlessness" in the minds of many French combat officers.

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NEAR EAST - AFRICA

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4. Iranians face increasing difficulties in Abadan area:

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Serious shortages of important materials and an inefficient administration are hampering operations at the Abadan refinery. Although the International Bank representatives were impressed by the good maintenance of the refinery, British observers in nearby Basra report that the situation is deteriorating.

Communists are openly engaged in agitation in both the refinery area and the nearby technical school. Fear of the Communists has already forced the Iranian management to give in to demands for the reinstatement of dismissed Tudeh members. Nepotism, payroll padding, and thefts are also complicating operations.

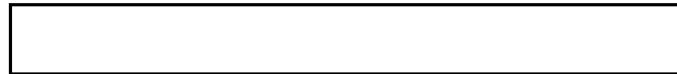
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5. Egyptian stubbornness allegedly reinforced by Soviet contacts:

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Charles Malik, Lebanese UN Delegate and Minister to the United States, is greatly alarmed over the degree of Soviet influence entering "into the highest Egyptian circles" at the UN General Assembly in Paris and in Egypt. He believes that "very fruitful contacts" have been established between Egyptians and Russians and that this might partially explain Egypt's inflexible attitude in the UN meetings. Malik also charged that an effective unholy alliance existed between Egypt's fanatical nationalist leaders and the Communists.

Comment: The increasing troubles in Egypt in the past three months have promoted closer relations between Egypt and the USSR. Frequent Egyptian abstentions on East-West issues in the General Assembly meetings seem to confirm a November report that the two countries had reached a tacit understanding to aid each other's objectives in the United Nations.

## EASTERN EUROPE

6. Polish shipping to China through Kiel Canal doubled:

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Polish shipping through the Kiel Canal destined for Chinese and Manchurian ports has, during the six-month period ending 31 December 1951, more than doubled the figure for the preceding six months. During the last six months of 1951, approximately 45,000 cargo tons were shipped. The greatest increase occurred during December, when six China-bound ships carrying 25,318 tons passed through the canal.

Comment: The increase in December 1951 is largely accounted for by the fact that Poland purchased three vessels of Panamanian registry late last fall.

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## WESTERN EUROPE

7. East Germans call Soviet rejection of Berlin trade permits a "mistake":

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East German officials have informed the West German Government that the return of large numbers of unstamped West Berlin export permits during the past two days was a "mistake" on the part of the Soviet and East German authorities. The Communist officials maintained that the "rejections" were merely an attempt to clear up the entire backlog of export permits held by them, prior to the establishment of the planned joint East-West German procedure for handling the permits.

United States officials now do not regard the Communist action as causing a new crisis. US High Commissioner McCloy states that if further evaluation supports the Communists' explanation, the Allied High Commission may soon permit the West Germans to resume interzonal trade.

8. French irked at US position on Saar issue:

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[Redacted]

The French Foreign Office is "not only adamant but apparently impatient" to give diplomatic status to its representative in the Saar, despite American requests for a delay. The French do not agree that this is a particularly bad time for such a move, and probably suspect that the United States' position may be developing in favor of the Germans.

Comment: Although replacement of the French High Commission by an embassy would have no practical effect on its relations with the Saar, France wants to establish the basis for a permanent political separation of the Saar from Germany before the German contractual arrangements are completed.

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9. Franco asserts Britain now favors American aid to Spain:

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According to General Franco, British Foreign Secretary Eden has assured the Spanish Ambassador in London that Britain, far from objecting to bilateral economic and military

agreements between the United States and Spain, would favor them in every way. Franco told American Ambassador Griffis on 23 January that immediately after this assurance was given, the British General Staff invited the Spanish Army Minister to send twenty officers to Britain as student observers.

Comment: Eden's alleged remarks would represent a major shift in the British Government's attitude towards Spain.

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The controlled Spanish press has of late been showing increasing cordiality towards Britain and has been hinting at a Franco-Churchill meeting.

#### LATIN AMERICA

10. Serious illness of President Arbenz may precipitate revolution in Guatemala:

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Salvadoran Minister of Defense Bolanos, recently returned from Guatemala, expects an anti-Communist revolutionary movement there "very soon." El Salvador and Honduras reportedly favor such a movement and will assist.

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While in Guatemala, Bolanos was reliably informed that President Arbenz of Guatemala has leukemia, but that the Army refuses him a leave of absence because his constitutional successor is a known Communist.

Comment: If Arbenz is seriously ill, as is now believed, the Army is undoubtedly preparing to assume control of the government. The supporters of Lieutenant Colonel Castillo Armas, the exiled military leader reputedly planning a military revolution for late January, would probably join forces with an Army revolt initiated within the country.

11. End of school strike eases situation in Panama:

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The strike committee issued a statement on 22 January calling an end to the school strike in Panama. The strike had failed to attain its announced aim of precipitating changes in the Panamanian Cabinet. Its end should, for the present at least, lessen the likelihood of disorders and reduce agitation.

Comment: The school strike, in which Communist participation was apparent, began last October.

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