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25X1

5 February 1952

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[REDACTED] Copy No. 49 [REDACTED]

25X1

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 46

NO CHANGE IN CLASS.

1: DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE: 2609

AUTH: HR 70-2

DATE 12-16-73 REVIEWER: [REDACTED]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DOS review(s) completed.

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SOUTH ASIA

1. Bank of Ceylon finances rubber shipment to China:

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The Bank of Ceylon has opened a credit to cover the shipment to China of 1,200 tons of rubber on the Russian ship Nicolaev, now in Colombo harbor. Additional credits are expected momentarily, and Colombo circles believe the ship may load up to 2,000 tons.

Comment: With other producing areas banning the export of rubber to China, Ceylon is now the only legitimate source available to the Chinese Communists. They have had difficulty in finding shipping space for transporting rubber from Ceylon; the only recent shipments have been one of 5,500 tons last October and one of 450 tons in January.

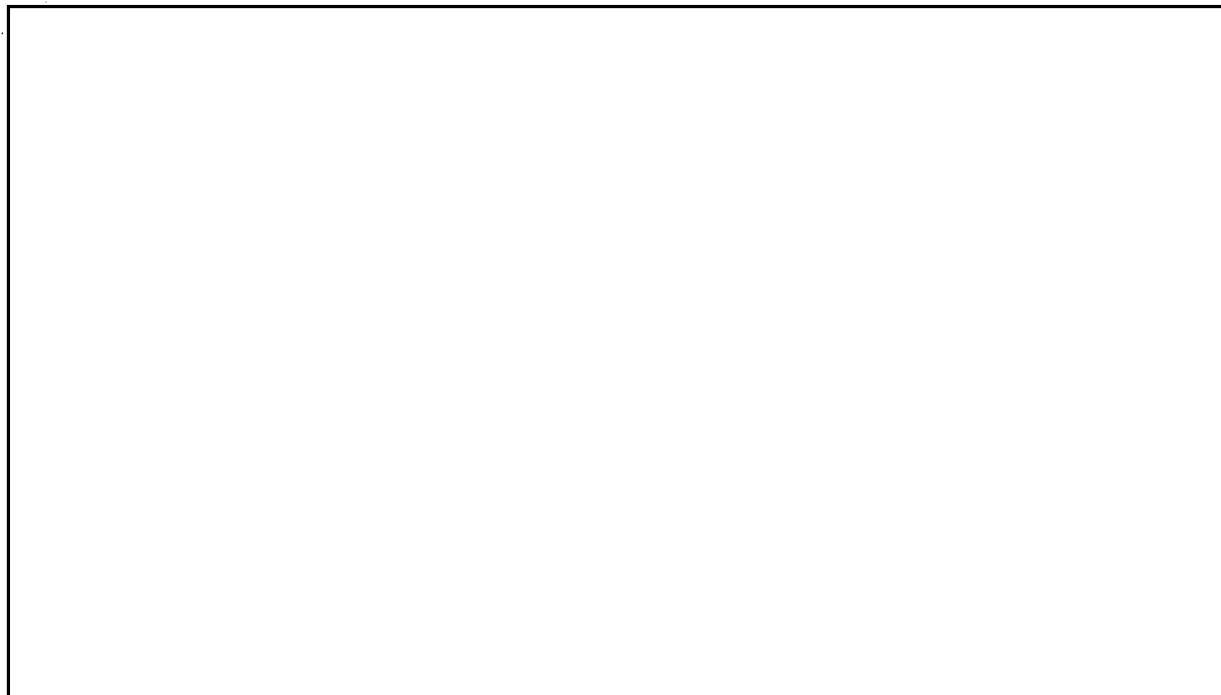
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NEAR EAST - AFRICA

2.

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4. Wafd Party may hamper Anglo-Egyptian negotiations:

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The Secretary General of the Wafd Party has informed Egyptian Prime Minister Ali Maher that the Wafdist "must be more intransigent" on the question of negotiations with Britain than they were when they were in power. He indicated his doubt, therefore, that Wafd participation in the National Front Committee would be of any aid to the present cabinet.

The American Ambassador in Cairo states that despite this warning the Prime Minister still wishes to form the National Front Committee, which is to backstop the government in any discussions with Britain. The Ambassador fears that the selection of former Foreign Minister Salaheddin as a Wafd representative on the committee "bodes not good."

Comment: Implementation of the Wafd Party threat to become a strong opposition would endanger the existence of the present government as well as the success of any Anglo - Egyptian discussions.

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EASTERN EUROPE

5. Britain proposes end to tripartite approach on aid to Yugoslavia:

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[Redacted]

The British Ambassador in Belgrade has offered to accept the higher American figure for financial aid to Yugoslavia for the first six months of this year in return for assurances that the tripartite method of approach will be changed after 1 July. Stressing Britain's domestic financial difficulties, the Ambassador argued that his government had wished to keep the current aid level low to avoid setting a precedent for the next fiscal year.

Commenting on the sharp change in the British position, US Ambassador Allen notes that previous British objections were based on charges that the Yugoslavs were misrepresenting their economic situation.

WESTERN EUROPE

6. French air build-up endangered by pilot shortage:

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[Redacted]

The French Air Force expansion program may collapse because of the shortage of trained pilots unless American physical standards are lowered to enable academically qualified French students to receive training in the United States. Of the 172 cadets scheduled to come to the US at the end of February, only 50 are expected to meet physical and language requirements.

Comment: The French Air Force has less than 3,000 pilots, and French pilot schools, which have been handicapped by a shortage of qualified training personnel, have been planning on graduating only 320 pilots a year.

According to official NATO estimates, pilot training is not expected to affect the over-all NATO air build-up for 1952, but a deficiency in training this year can have very serious effects on the continuing build-up in 1953 and 1954.

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[Redacted]

7. American defense orders fall short of Italy's expectations:

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[Redacted]

The Italian Government is becoming highly skeptical of US promises to place contracts for war materiel in Italy. The slowness of negotiations and the United States plan to let only 500 million dollars worth of such contracts in all of Europe lead Italy to feel that any orders it receives will not help much in reducing its dollar deficit. Another factor is the report that the United States will order no vehicles, which represent 40 percent of Italy's potential contribution.

Comment: Neutralists and opposition elements will be quick to seize upon this development to attack the foreign policy of the De Gasperi government in the impending municipal campaigns. The Italian Government had hoped that 500 million dollars worth of contracts would be let in Italy alone.

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[Redacted]