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State Department review completed

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SOVIET UNION

1. USSR moves to terminate lease on US Embassy building:

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[Redacted]

The United States Embassy in Moscow reports that its administrative officer has been informed by Soviet administrative officials that the Embassy cannot extend its lease for the chancery building on Mokhavaya Street beyond 1 January 1953. The Russians claim that this building is needed by Moscow State University and that measures are being taken to find a new building as a replacement.

The Embassy points out that the USSR has boasted for some time that the new university building on Vnukova airport highway would take care of some 6,500 students, and that this action is therefore one of harassment rather than necessity.

Pending return of Ambassador Kennan, the Charge intends merely to send a formal notice of a desire to renew the lease.

FAR EAST

2. France may seek American help in withdrawing nationals from China:

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[Redacted]

The French Foreign Office is considering an informal appeal for American cooperation in facilitating the departure of all French nationals from Communist China. The source of this report, a top Foreign Office official, points out that, according to French bankers, the Chinese probably will not consent to a withdrawal unless their dollar assets in the United States are unblocked.

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Comment: [Redacted]

[Redacted] France planned to close its last three consular offices in China, and that French businessmen agreed that there was no future for them there.

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[Redacted]

3. Chinese battalions in Indochina reportedly repulsed:

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The ten Chinese Communist battalions which recently crossed into northwestern Tonkin are reported by the American Charge in Saigon to have returned to China after suffering heavy losses.

The mission of the force was to cooperate with the Viet Minh against French-supported guerrillas and in cutting river communications. The Sino-Viet Minh units are said to have suffered nearly 400 casualties, and a French official has stated that eight Chinese prisoners were taken.

Comment: The Chinese force, estimated at between 2,000 and 3,000 men, is the largest yet reported to have crossed into Tonkin, and is the first known to have suffered casualties there.

NEAR EAST - AFRICA

4. Comment on the government change in Egypt:

The appointment on 29 June of Sirry Pasha as Egypt's new Prime Minister, following the resignation on the previous day of Hilali Pasha, brings into office another moderate, independent leader with a pro-Western outlook. Hilali's resignation after only four months in office, however, serves to emphasize the serious obstacles which any Egyptian Prime Minister must face.

The new government will be under great pressure to achieve Egypt's aspirations in regard to the Suez and the Sudan. Nationalist anti-British activities, which were at a minimum under martial law, may at any time increase and lead to serious disorders.

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In domestic affairs, the new Prime Minister inherits the problem of corruption in the government, against which Hilali made no progress. The country's economy has deteriorated this year, not only because of Egypt's dispute with Great Britain, but also because of the diminished world demand for cotton. Moreover, the new Prime Minister is likely to be hampered by the same palace political maneuvering which is said to have been mainly responsible for Hilali's resignation.

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WESTERN EUROPE

6. Termination of US aid seen as likely to nullify Danish participation in NATO:

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The American Ambassador in Copenhagen estimates that the termination of aid because Denmark is delivering a tanker to the USSR could cause the government to fall and would

drastically reduce Danish cooperation within NATO. Although Denmark might not formally withdraw from NATO, a cessation of American aid would "make effective participation impossible as a practical matter."

The Ambassador further believes that neutrality sentiment would be strengthened, and a feeling of futility would mark Danish defense efforts. American efforts to obtain facilities and operating rights in Denmark would be nullified. Operations in Greenland would be impeded, and Danish participation in COCOM terminated.

Comment: Danish Foreign Minister Kraft has previously warned that his government would fall if aid were terminated, and that no succeeding government could in such circumstances support NATO and still remain in power.