

CONFIDENTIAL NOTES ON POLITICAL CONDITIONS IN GERMANY AND  
THE MIDDLE EAST.

We arrived in Rome on February 15, 1959, and during our visit were entertained by the French Ambassador to Italy, Ambassador Palewski, also by our Ex-Ambassador to Italy and France, James Dunn, and Count Crespi.

We also met high officials of the Vatican.

On the 19th of February, Ambassador Palewski gave a party for us at his residence, the Palais Farnese, which was designed by Michelangelo and is one of the most beautiful palaces in the world. Among his guests were the ex-president of Italy, two Italian cabinet ministers and the Belgian Ambassador to Italy.

The next day, we flew to Cairo where our Ambassador, the Honorable Raymond A. Hare, gave a dinner party for us. Among his guests was Prof. Fakeri, professor of history at Cairo University, who told us that during the winter of 1957-58 he had been invited by the Red Chinese Government to give a course in Egyptian history at the University of Peking. Prof. Fakeri said that he was deeply impressed by the brilliant minds of the Chinese people and by their capacity and willingness for hard work. He described his lectures at the University of Peking as being each of three hours' duration and given five days a week.

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Prof. Fakeri said that the Chinese students listened intently, never made a sound, and asked extremely interesting questions after each lecture.

The first lecture that he gave was also attended by the leading Chinese philosopher and professor of Chinese literature at the University of Peking, who sat in a bowed position throughout the lecture. Prof. Fakeri asked the Chinese philosopher to "please not sit in such a position, as it is I who should bow before you because it is such an honor to have you present". However, the Chinese professor replied, "No, it is I who must bow before you and your wisdom". "I wonder if it would be possible for you to explain to the students in the evenings the art of your country". After that, Prof. Fakeri said that he taught Egyptian art in the evenings, in addition to his other assignment.

In contrast, a few years before, Prof. Fakeri had taught Egyptian history at Yale, as a visiting professor, but after two months he resigned because so few of the students were interested.

Prof. Fakeri traveled throughout China and his impression was that the people work to a purpose and have accomplished a great deal in a short time. He was full of

admiration for the Chinese museums and libraries and the way that all their works of art had been preserved.

Rome and Cairo are the two great sources of information as to what may be expected in the future.

Consolidating all the information that I was able to obtain, I have come to the following conclusions:

Berlin - There will be no world war over Berlin. Tension will be renewed in the Middle East before this year is out and it is there--not Berlin--where the next major Soviet move will take place. In the Middle East, the United States is not precisely committed to immediate intervention; also, it would be extremely difficult for America to intervene effectively.

Our trouble in Berlin is being aggravated by the weakness of the English. The Russians cry "Trade and peace". The East German Communists say "Get your government to recognize us and there are fat orders awaiting". The British are not the only people influenced by this insidious propaganda. The Dutch, the Belgians and even the West Germans, with steel mills slowed down and coal mines shut down, are taking the bait. One British business-man said, "Who wants to go to war for Berlin? As far as I am concerned, I don't care if Germany is never reunited". These sentiments are music to the ears of the East Germans; for German unity is the last thing that they want.

It is thought that Russia will transfer sovereignty to East Germany but in name only; and that while there will be many incidents, the East Germans won't provoke a showdown at this time. The West will be forced to deal with the German Reds to keep their supplies flowing to Berlin but, to save face, our officials will take the position that they are treating the Germans as the agents of Moscow.

In the Middle East, Americans continue to be universally disliked by the Arabs. In their opinion, our country is dominated by interests strongly favoring Israel. Khrushchev is cleverly forcing the Arabs to rely more heavily upon Russian aid by encouraging Jews behind the Iron Curtain to migrate to Israel. Ben-Gurion has publicly estimated that 100,000 Jews from behind the Iron Curtain will arrive in Israel this year; and the Israeli bond drives in the United States for funds with which to establish these immigrants are particularly galling to the Arabs.

On April 16, 1959, a Congress will be held in Cairo of all of the Arab oil producing states. Dr. Perez Alfonzo, the new Venezuelan Minister of Mines and Hydrocarbons, has been invited to attend as an observer and Venezuela will be the only non Arab country officially represented.

Shortly after World War II ended, Dr. Alfonzo forced the 50-50 profit-sharing principle on the oil companies in

Venezuela and then he left immediately for the Middle East to encourage the Arab oil countries to similarly increase their share of the oil profits, which they did shortly thereafter. Since Venezuela has recently increased its percentage to a 60-40 basis, Alfonzo undoubtedly will, again, try to influence the Arabs to force an increase in their percentage. However, as Iran, Kuwait and Saudi Arabia, in concessions recently granted to the panicky Standard Oil Company of Indiana, and to Italian and Japanese interests, have initiated the 75-25 split plus large bonuses, Dr. Alfonzo will undoubtedly return home indoctrinated to increase Venezuela's oil contracts from 60 to 75 percent--or more.

On February 13, 1959, and in advance of the meeting to be held in Cairo, the British Petroleum Company was very bold in cutting the posted price of Middle Eastern crude oil 18¢ a barrel. Kuwait crude, the largest volume of Middle Eastern oil, accounts for 1,400,000 barrels of the area's 4,200,000 barrels daily production. British Petroleum's cut reduced the price of 31 gravity oil at Mina-al-Ahmadi to \$ 1.67 per barrel.

The first time bomb that is most likely to explode in the Middle East is Iraq. This country's economic condition has progressively deteriorated since its revolution of last year. Communists dominate the nation and control its press and propaganda services. Almost all Communist countries, including little Albania, have missions there.

The 1000 Americans residing in Iraq are harassed and treated as enemies and spies by General Kassem's government.

I was most surprised to learn from Ambassador Hare that China--not Russia--is the arch trouble maker in Iraq's oil industry. China desperately needs oil and is after Iraq's rich oil reserves. If General Kassem continues in power and China takes over the development of Iraq's oil resources, it will lead to an economic war in which both the West and all the other Arab oil producing countries may be flattened. China would rapidly develop Iraq's fabulous, proven, and almost unlimited oil reserves, then break the world oil price structure by selling Iraq's oil on a barter basis or at cut rates.

The oil of Iraq is just what China needs to build up its starved economy and, at the same time, to further world Communism by undermining the oil markets of the free world.

For some time Russia, with her limited oil resources, has been engaged in just this kind of economic war--selling her oil on a barter basis or making price concessions. It is shocking to note that only a few days ago, Russia sold at a cut price and unloaded in New York City 100,000 barrels of oil from Roumania.

There is no question but that the Communists intend to intensify their economic war by penetrating the world oil markets. This action will be followed by Communist attempts to break down the price structures of other commodities.

NATO is being outflanked by developments in the Middle East.

Soviet experts, supposedly for work on the first stage of the high dam project at Aswan, have arrived in Cairo. However, it is unlikely that this dam will ever be built. The cost of its construction would be tremendous and the Egyptian economy is so desperate that they can not afford it.

The present dam at Aswan was built in 1898 to control the Nile for irrigation. In 1912 the height of the dam was increased to 146½ feet and it affects the water level of the Nile for 175 miles south.

The location of the proposed new dam is on a site six miles above the present dam where there is a pass which if it could be successfully blocked, would dam up 5295 milliard cubic feet of water in a lake that would be 310 miles long, the size of Lake Michigan. The difficulties encountered in building this new dam would be very great. It would entail the necessity of getting a gigantic loan from Russia or America, reaching an agreement with The Sudan,

whose territory would be partly flooded by the lake, and there are major technical difficulties. At the pass where the dam is proposed to be built, the bed of the river is very loose and it is not possible to build a concrete dam of the usual type. Instead, it is proposed to block up the river with sand and earth in an embankment about a half mile wide.

If this dam, with the great pressure behind it, were broken--not only all human beings and houses but probably a good part of the soil of the Nile Valley would be swept out into the Mediterranean by the huge mass of water.

In Egypt, all life is centered on the banks of the Nile, therefore, the high dam, while providing means for a greater population for Egypt, would at the same time present the biggest booby trap in all history. Breaching of the dam by a bomb--or otherwise--would destroy the entire country.

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