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26 October 1953

ZOG

As of 17 October Zog's contact reported there had been no official or unofficial communication from the Egyptians during the week and Zog was still unaware of the exact charges against him. All of the papers seized had been examined and 300 pieces marked for further study. Zog had sent his ex-Minister to Cairo to inform the Foreign Minister Zog must use part of the money impounded for living expenses and to ask that the charges be defined. [ ] suggested the Egyptian moves may be a "fishing expedition" to find evidence upon which to base charges. He stated the belief that if Zog indicated a willingness to compromise the matter might be brought to a head. He urged any important matters be discussed with Zog himself. Reported that the [ ] file had been turned over to him on 17 October. The Zog contact quoted a police liaison officer to the effect that a new raid involving body searches was contemplated before 22 October.

On 16 October Vice Premier Gamal abd al Nasr told an Embassy Officer that the Egyptians had tried to collect the taxes but Zog denied tax liability. The Embassy Officer advised Nasr Zog had been helpful to the West in anti-Communist campaign and anything resembling persecution of Zog would be unpopular in the U.S. Nasr suggested the U.S. buy Zog's gold for dollars from Zog, sell the gold to Egyptian banks for pounds and use the money to pay current U.S. Government expenses in Egypt. The Ambassador is reported to have expressed the hope that CIA may be able

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discreetly to accomplish this purchase. [ ] commented that neither the tax nor the gold problem was as simple as it appeared and that his recommendations would follow the receipt of the results of the latest Alexandria discussions with Zog. The recommendations have not yet been received.

As of 21 October the ex-Minister had not returned to Alexandria and had not seen the Foreign Minister. Zog sent his lawyer to Cairo to discuss the matter with Foreign Minister officials. Zog has his entire entourage on duty during waking hours in expectation of the reported contemplated police raid. [ ] got the impression on 21 October that Zog is considering compromise for the first time so that he can leave. He suggests that if the gold proposal indicates Egyptian willingness to compromise in general it is time for [ ] to have a direct meeting with Zog.

On 21 October the Ambassador discussed Zog with the Foreign Minister, who said he was trying to help but the Minister of Interior, the Finance Minister and the Vice Premier insist Zog must pay back taxes. The Ambassador urged moderation on the Egyptians but states this is about as far as he can go. On 19 October the Italian Counsellor of Embassy told the American Counsellor that he thought the Italians might be justified in interceding with the Egyptians on Zog's behalf and the Italian Embassy may request permission from Rome to take the matter up with the Foreign Minister.

None of the persons whose visas Zog inquired about has any prospect of immediate entry into the U.S. except the Hungarian countess who should receive a visa in the near future. Of the others, those who qualify under the Swiss or Yugoslav quota cannot meet support requirements and the others have a long wait ahead. [ ] suggests Zog be advised to settle them and arrange for their support somewhere else outside of Egypt.

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QUESTIONS BEFORE THE HOUSE:

Can we buy the gold?

Should Zog be urged to compromise?

Should we encourage Zog?

encouraged

Should the Italians be urged to intercede?

Should Zog be advised to move his entourage elsewhere?

If we should buy the gold will the Egyptians still demand payment

of taxes?

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