

DEC 3 1953

MEMORANDUM FOR: DEPUTY DIRECTOR (PLANS)

VIA : Chief of Operations

SUBJECT : Status of Former King Zog of Albania

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE/METHOD/EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

1. Former King Zog of Albania has been for more than two years SE Division's primary source of relatively good Albanian infiltration agents, and represents a potential political asset against the day of Albania's liberation. Pursuant to an agreement reached between Zog and [redacted] this Division made a special arrangement with the Attorney General to admit Zog and his household into the United States.

2. However, prior to Zog's intended departure in mid-October from Alexandria, Egypt where he has resided since 1946, the Egyptian Government initiated a campaign of harassment against him, with the concomitant freezing of his funds and a series of unofficial threats against his continued liberty, based upon Egyptian pretensions that Zog is liable for past customs duties and income taxes. Inasmuch as Zog entered Egypt under the patronage of then-King Farouk, who accorded him diplomatic immunities, Zog at first denied any tax liability.

3. At CIA request Ambassador Caffery made an official representation to the Egyptian Government in which he stated that Zog was an important anti-Communist symbol possessing friends and influence in the West, and that continued Egyptian attempts to humiliate Zog would result in a loss to Egyptian prestige. Neither this representation nor four made subsequently, however, were successful in deterring Egypt's campaign of vilification and harassment. Ambassador Caffery then informed us that because U. S. influence was already committed in the British-Israel issue, he could not intervene further in behalf of the former Albanian king.

4. We have urged Zog to make a reasonable tax settlement, and his attitude recently has indicated that he will entertain at least the idea of such a compromise. However, as Zog points out, no official charges have yet been filed against him specifying either the amounts of his alleged delinquencies or the nature of the "criminal" acts in which he is supposed to have engaged.

5. The genesis

5. The genesis of the Egyptian actions is believed to be found in the suspicions held by Egypt's Revolutionary Command Council against all persons who enjoyed the favor of Farouk, together with the possible validity of Egyptian allegations that Zog had trafficked in arms during the Israeli conflict and had engaged in black-marketing. Additionally, a report quoted by a usually reliable source alleges Soviet influence to be behind the persecution of Zog.

6. Ambassador Caffery has indicated that he believes the Egyptian Government is engaging in a form of blackmail to persuade Zog to part with some of his gold. However, the fact remains that because his funds are frozen, Zog is unable to depart Egypt for the U. S. and is at the mercy of the Egyptian Government, which has already closed the Royal Albanian Consulate and withdrawn diplomatic recognition from Zog and his entourage. We feel, additionally, that the public debasement of Zog by the Egyptian Government has already served Communist interests by enabling the Hoxha regime to picture the former King to the Albanian people as a criminal and persona non grata to the West.

7. A high Egyptian official proposed to Ambassador Caffery that the U. S. undertake the purchase of Zog's gold in dollars and receive a credit in Egyptian which would be used to defray U. S. official expenses. Ambassador Caffery in turn voiced the hope that CIA would be able to arrange the transaction discreetly, but up to the present the ramifications of such a purchase have not been made sufficiently clear by the Egyptians to warrant serious study.

8. Acting upon a Field suggestion, we have initiated a press campaign in the U. S. aimed at obtaining Egyptian awareness of the effect upon the West of their persecution of Zog. However, until the situation confronting Zog becomes somewhat more clarified, no additional action is contemplated by this Division in Zog's behalf, although we maintain a continuing and sympathetic interest in his difficulties.

9. The attached chronology details the embroilment of Zog, of which the foregoing is a summary.

[Chief, SE]

SE/PH []/jdw
2 December 1953
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1. Former King Zog of Albania has been resident in Alexandria, Egypt, since the spring of 1946. His entry into Egypt was at the invitation of ex-King Farouk who granted Zog and his entourage diplomatic immunities consonant with his position as an exiled monarch.

2. During a trip to the U. S. in 1951, Zog purchased an estate on Long Island for the purpose of establishing his future residence. In addition to Zog's desire to live in the U. S., he hoped to provide his son, Prince Skander, with the benefits of an American education.

3. For more than two years Zog has been the SS Division's primary source of relatively good Albanian infiltration agents; it had been hoped that his continued cooperation in our clandestine activity would increase in value. Through arrangements made with Zog by this Agency agreed to assist Zog's efforts to establish himself in his home on Long Island for a residence of indefinite duration. The patriarchal nature of Zog's household required its admission into the U. S. as a unit. It was believed, also, that Zog's presence in the U. S. would facilitate his operational utilization and would obviate sensitive problems of communication with him.

4. Because Zog did not wish to prejudice his present or future political status in his homeland by entering this country on terms which would indicate intent to become a citizen, and because of his feeling that entry under a DP or immigrant visa would impair his prestige and detract from his claim to the throne of Albania, arrangements were conducted through this Agency's General Counsel with the office of the Attorney General, who agreed to waive normal entry requirements in the national interest.

5. On 5 August 1953, the Egyptian Government orally informed Zog that it considered the Royal Albanian Legation to be closed; that after two weeks Albanian diplomatic passports would not be recognized, but Egyptian laissez-passers would be issued; and that the Egyptian authorities would be glad to have Zog and his family remain as honored guests as long as they wished to stay. However, press reports of about this time stated that Zog's credentials had been confiscated and that he was to be arrested any day and tried for "arms traffic during the Palestine war". Zog then began to make plans to leave Egypt in October.

6. On 5 September

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6. On 5 September Al Ahram ran a story accusing Albanian Legation officials of helping Farouk smuggle money from Egypt and stating that an investigation of Zog's entourage showed activities "contrary to the interests of Egypt". This sounded the opening of a continuing press campaign against Zog which is believed to have enjoyed the full blessing of the Egyptian authorities.

7. On 11 September a cable was sent to [] requesting that he visit Zog in Alexandria to explain the circumstances under which entry into the U. S. had been authorized for Zog and his entourage. On 22 September [] delivered the message orally to Zog. The Department of State notified the Alexandria Consulate to advise the public carrier of Zog's choice that his party would be allowed to come into the U. S. even though no visas were to be issued. Zog then booked passage on a French ship to leave Egypt for France on 18 October, deferring the rest of his journey to the U. S. until a later date.

8. On 26 September Zog's villa was raided by police under the direction of the Lieutenant-Governor and Procurer of Alexandria. Certain of his personal papers were seized, but Zog resisted body search of himself and Queen Geraldine. On 30 September Zog advised his [] contact that his bank accounts had been frozen and although the Ministry of Foreign Affairs had granted exit permits to him and his entourage, the permission did not include the gold and jewels in his possession and that he had, therefore, refused the exit permits.

9. On 3 October the Foreign Ministry informed Ambassador Caffery that Egypt would not confiscate Zog's gold; neither would Egypt allow the gold to be exported. On the same day the Department of State, at the request of this Agency, requested Ambassador Caffery to make an informal approach to appropriate Egyptian officials along the following lines: "Zog's request for admission to the U.S., where he has property, has been granted and he is planning to leave Egypt on or about 18 October. In connection with discussions relating to his travel to the U. S. it has been learned from Zog, and confirmed by press reports, that certain actions have recently been taken against him by the Egyptian authorities. Without in any way judging the merits of the case, the U. S. Government feels Zog represents a real asset in the struggle against Communism and hopes the Egyptian Government, acting in the general interest, will be able to permit Zog to leave Egypt with such property as remains to him and without exposing him to further actions which will tend to diminish his prestige as a top Albanian leader and important figure in the anti-Communist struggle".

10. Ambassador Caffery's reply of 5 October indicated that he had spoken to the Minister of Foreign Affairs who promised to take up the matter with the Vice Premier and the new Minister of the Interior.

11. On 8 October

11. On 8 October an Egyptian press review quoted a story carried by all Egyptian newspapers that King Zog and his suite were refused exit visas by the Ministry of the Interior pending settlement of a tax claim and a decision regarding gold worth £ 20,000 Egyptian found in Zog's villa. The story stated that Zog failed to submit a currency declaration upon his entry into Egypt. On 9 October

generally briefed Zog on the following points:

a. It was imperative that neither Zog nor Queen Geraldine personally contact Ambassador Caffery (this at the Ambassador's request).

b. Everything possible to assist Zog was being done and it was essential that Zog keep us fully informed.

c. A new communication channel was being instituted out of regard to the security of all interested parties.

d. We desired detailed answers concerning the present status, amounts and location of Zog's finances as well as the precise nature of the Egyptian charges.

12. On the same date one of Zog's representatives disclosed:

a. That almost all of Zog's funds were held in the Bank Misr and his Alexandria residence and that part of the gold held by the Bank Misr was regarded as security for an advance of approximately £ 40,000 Egyptian; because both the bank account and the gold had been frozen, payment of the debt was impossible. The remainder of Zog's gold and jewels had been inventoried by a representative of the Ministry of Finance but had not been seized.

b. That ex-king Zog was exploring legal remedies through an Alexandria attorney named Tullis Pegna.

c. That the tax evasion charge was based on a 1950 offer to sell Zog central of the Ford Motors distributorship; that although Zog rejected the offer and had never engaged in any business enterprise, the Egyptians believed him to be a silent partner in several.

13. The Egyptian press, on 9 October, reported that the Ministry of Finance had asked the Ministry of the Interior to prevent Zog from leaving Egypt until he had paid tax arrears on his funds and property. It was explained to the press that according to law, Zog should have submitted his tax declaration not later than 16 August. The Director of the General Income Tax Section added that even if Zog filed his declaration, he would still be considered a tax evader and liable to from one month to three years' imprisonment and/or a maximum fine of £ 1,000 Egyptian. The law calls also for a penalty equal to three times the amount of taxes due. The press report concluded by saying "It is noteworthy that ex-king Zog does not enjoy tax exemption...". Ambassador Caffery commented upon the incident as the latest of a series of maneuvers to scare Zog into parting with some of his gold.

14. On 10 October

14. On 10 October Zog's representative delivered to the [] lists purporting to include all Zog's money, gold and jewels, together with the additional information requested. Zog stated to his representative that he had entered Egypt at Port Said on the invitation of ex-King Farouk, with a total capital of 150,000 gold pieces and without customs formalities. This capital was now said to be reduced to 15,000 gold pieces plus the personal jewelry listed; a statement of these holdings had been provided the Ministry of Foreign Affairs at the time of Zog's application for exit visas.

15. On 11 October the Minister of the Interior opened one thousand letters and documents seized during the September raid on Zog's villa. Present, in addition to Attorney Tullio Pegna, was a Cairo attorney and former Pasha named Hachan, who had been retained by Zog. Some 300 pieces of correspondence were marked for further examination.

16. On 13 October this Division requested that the following message be given to King Zog over the bona fide of []

"Continuing efforts assist. Situation delicate. Proceed with caution to avoid worsening matters. Urge you accept reasonable tax settlement if offered by Min Finance...."

17. On 15 October Ambassador Caffery inquired of the Egyptian Foreign Minister regarding the results of the Foreign Minister's thrice-promised intercession with the Revolutionary Command Council in behalf of King Zog. The Foreign Minister replied that he had not had much success.

18. On 16 October the Ambassador instructed an Embassy officer to raise the matter directly with the Vice Premier. During the ensuing conversation, the Vice Premier was asked why Zog was not allowed to make a tax settlement and leave Egypt. The Vice Premier replied that his government had attempted to collect taxes from Zog, but that the latter had denied tax liability. A further statement was made that because Zog had not made a proper customs declaration when he brought in his gold, the Egyptian Government legally could confiscate it. The Embassy officer pointed out that because Zog had entered Egypt as a guest of the then reigning monarch, confiscation of Zog's gold would seem neither just nor ethical; he added that Zog had been helpful to the West in opposing communist domination of Albania and that Zog's opposition to communism had gained him friends in the U. S. where he owned property. The Embassy officer added that anything resembling persecution of Zog by the Egyptian Government would probably be unpopular in the U. S. and react adversely against Egyptian prestige. The Vice Premier then made the following apparently improvised suggestion; if the U. S. were to buy Zog's gold in Egypt, paying Zog in dollars in the U. S., the U. S. could sell the gold to Egyptian banks for Egyptian. These Egyptian pounds would be used to pay U. S. Government expenses in Egypt. Upon being asked whether he was serious and would stand by the offer, the Vice Premier replied affirmatively, but indicated no willingness to compromise the tax matter. Ambassador Caffery commented that he hoped CIA would be able discreetly to accomplish the proposed transaction.

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19. On 17 October

19. On 17 October Actualite, a weekly French language review of the Arabic press, contained a translation of an Al Misri story of 13 October containing allegations against King Zog entitled: "The Whole Truth about the Sinister Activities of Zog". This story appeared only in the two mentioned publications, both of which have given evidences of communist influence.

20. On 19 October Zog's representative reported that the Egyptian Government had made no contact, official or unofficial, during the preceding week and that Zog still was unable to ascertain the exact charges against him. The representative stated that the King had sent his ex-Minister to Cairo on 17 October to inform the Egyptian Foreign Minister of Zog's need for a part of the funds to defray living expenses and to request a definite statement of the charges against him as well as an estimate of the date on which he might expect to depart with his property. [] at this time reported receipt on 17 October of Zog's file of correspondence between himself and [] a correspondence which had been carried on under concealment of aliases.

21. Additionally, on 19 October the Counselor of the Italian Embassy in Cairo called upon an officer of the American Embassy to initiate a discussion on a personal basis about King Zog. The Italian Counselor stated that he did not hold much of a brief for Zog as a man but that "Zog is an anti-Communist flag who may be useful some day". Because of Zog's consistent anti-Communism the Italian Counselor thought personally that the Italian Government would be justified in speaking to the Egyptian Government in Zog's behalf, adding that he did not think it wise for the Italian Government to get into the question of whether or not Zog should pay taxes, although he said "Kings do not usually pay taxes". The Italian Counselor went on to say that a good source reported Naguib as having accused the Albanian Legation in Cairo of having distributed £ 200,000 Egyptian for anti-regime activities. The Embassy officer indicated to the Italian Counselor that Ambassador Caffery had spoken to the Foreign Minister in Zog's behalf, and the Italian Counselor said that he would recommend to his Ambassador that the Italian Embassy seek instructions from Rome to speak officially to the Egyptian Foreign Office.

22. Through 21 October Zog's ex-Minister was unable to obtain an interview with the Egyptian Foreign Minister. Attorney Hacham returned to Cairo on 20 October to discuss the basis and nature of the alleged charges against Zog with Finance officials and to explore possible solutions, and, acting upon the advice of Attorney Pegna, Zog placed his entourage on duty during waking hours against an expected police raid. Our [] believed that Zog was thinking of a compromise solution to permit his departure, and had been so motivated by the recommendations of [] the continuing press attacks, and perhaps by knowledge of past activities of which we are not aware.

On 21 October,

On 21 October, at the request of the [] Ambassador Caffery again asked the Foreign Minister about Zog. The Foreign Minister replied that he was trying to help but that the Vice Premier, the Minister of the Interior and the Minister of Finance insisted Zog pay his back taxes. Caffery urged restraint and moderation on the part of the Egyptian Government but advised the [] that he felt he could go no further in Zog's behalf. By previous dispatch Ambassador Caffery had commented as follows:

"Zog's present plight would seem to be, to a considerable extent, of his own making, particularly since, despite the obvious trend of events, he chose to overstay his time in Egypt. If he had left some time ago before the Egyptian Government withdrew its diplomatic recognition of Albania, he would undoubtedly have been spared his present troubles. The Embassy will continue its informal efforts to resolve the present difficulties but there is obviously a limit to the intervention which we can profitably undertake on his behalf."

23. On 30 October Agence France Presse claimed that Zog, Queen Geraldine and ten members of their suite had been placed under police surveillance until they appeared before a Cairo court; all other members of the King's suite, however, had been authorized to leave Egyptian territory. The report concluded with the allegation that, "Only those who participated actively in the clandestine commercial operations of the former King are being kept in Egypt".

24. On 2 November [] supplied the following situation summary concerning Zog: that he was apparently suspected of having used his diplomatic privileges for smuggling gold, and of engaging in black market operations, despite Zog's assertions that he had lived by capital expenditure and engaged in no business; that the seized Zog correspondence was being analyzed for evidence of income tax liability and black market operations and that the Egyptians were eager to indict Zog on a charge sufficient to justify the seizure of his gold; and that Zog was disliked as a friend of Farouk and was suspected of being friendly to Naguib's opponents. The [] added that Ambassador Caffery had approached the problem from the point of view that any discrediting of Zog would be against the Free World interest, and that the Ambassador had requested the Egyptian Government to permit Zog to leave Egypt with his property and his dignity unimpaired. However, the Mission pointed out, Ambassador Caffery was reluctant to use more pressure because he felt U. S. influence to be already committed in British-Israel issues and ought to be reserved for paramount policy objectives.

25. The Alexandria Reformer of 2 November reported that Zog's residence had been raided by the police and that arms were seized. Actually, however, pursuant to a new Egyptian law dated 22 October, Zog and his suite had been notified to present all licensed and unlicensed firearms for registration prior to 1 November with assurances that they would be allowed to keep the licensed arms.

On 31 October an effort was made to comply with this order by a member of Zog's entourage, but he was told to return on 1 November, at which time the Alexandria Governor and a police colonel ordered all arms seized, including three revolvers which were licensed and two machineguns, four shotguns and eight pistols, which were unlicensed. This incident plus the continued press attacks, according to the Cairo Mission, apparently had convinced Zog of the seriousness of his situation and the necessity of settling with the Egyptians on the best available terms. At the same time a report from a usually reliable source accused Minister of State Fathi Radwan and ROC member Anwar Sadat of having been influenced by the Soviet Legation in Cairo to so discredit King Zog that he would cease to be a threat to the Hoxha regime. The [] considered the report to be only possibly true, but inasmuch as that effect was being achieved, he emphasized the importance of getting Zog and his entourage out of Egypt without delay.

26. On 5 November [] cabled that Ambassador Caffery would not act as a "broker" between Zog and the Revolutionary Commanding Council, and suggested a planted U. S. press campaign to attack the Egyptian Government for its persecution of Zog, on the theory that this action might convince the ROC that its handling of Zog was in reality losing friends for Egypt. At this point it was agreed with NEA Division that a press campaign of this nature be initiated, the Egyptian Government having shown itself previously sensitive to American public opinion. On 17 November press stories were drafted by SE Division, concurred in by NEA, and submitted for U. S. placement through PYD and NEA Project ZRTINDEA, which provides a press service to the Middle East. As of 30 November no playback of the story had been reported. On 24 November [] cabled that the crux of Zog's financial problem was not the transfer of Zog's gold but the transfer of his capital, a subject which had not been alluded to previously, and that Zog's gold could not be bought by the Department of State or with Ambassador Caffery acting as an intermediary because: (a) from a diplomatic viewpoint the proposal was insulting to the U. S. Government and (b) such a purchase by the Department of State would probably be unprecedented, mechanically difficult, highly publicized and most injurious to U. S. Government prestige; additionally, the Department of State would be pictured by a hostile press as ransoming a villain. [] proposed as an alternative that CIA consider purchase of the gold through a private individual or corporation following a study of the financial and security aspects. Even so, the point was made that the gold purchase would not solve Zog's "other problems" (presumably the tax entanglement) with the Egyptian Government. The message pointed out that because of many factors U. S. Government prestige in Egypt has fallen to the lowest ebb since the Palestine war, and that short of physical coercion or threats "inappropriate to the importance of the Zog affair relative to other area issues" it was not believed that any U. S. Government remonstrances would have a substantial effect upon the manner in which the Egyptians are handling the Zog affair. Five unavailing interventions of Ambassador Caffery were cited to substantiate this point of view. In a precautionary statement [] advanced his belief that a local CIA approach to a high level Government agent would

not help Zog, but might easily prove fatal to the high level agent. A detailed analysis was being prepared in Cairo for pouching.

27. This Division feels that it has, in a strict sense, fulfilled its agreement to arrange the entry of Zog and his household into the U. S. Nevertheless, because of Zog's stature as an anti-Communist symbol and a source of agent material, we are maintaining interest in the developments affecting him. If he continues to be subject to harassment by the Egyptian Government, the results can prove of benefit only to the Communist world. Should Zog be held in Egypt through the device of freezing his funds and his capital, we anticipate that he may become resentful over our failure to extricate him. Such resentment on the part of Zog would result eventually in lessened cooperation by him in the recruiting and infiltration of Albanian agents, and at the present time any diminution in our clandestine Albanian effort must be equated against continued high level American interest in the detachment of Albania from the Soviet orbit.

28. Unfortunately, we do not know the extent to which Zog actually may have engaged in activities which the Naguib regime may characterize as illegal. With regard to Egyptian allegations of tax liability, we concur in Ambassador Caffery's view that Egypt's ex post facto judgment is improper, and that it constitutes grounds for criticism of the Egyptian Government. The question of the feasibility and advisability of attempting to purchase Zog's gold has not yet been resolved at Division level because we have not been able to ascertain the ultimate amounts involved. In any case, before sponsoring such a complicated and probably lengthy program, we would require adequate guarantees from the Egyptian Government that once the transaction was completed the harassment of Zog would cease and he would be permitted to leave Egypt with his property, entourage and capital intact.

29. It is evident that Ambassador Caffery has cooperated in efforts to aid Zog to the utmost extent consistent with his best judgment. Although we cannot again request the Ambassador's direct intervention, we feel that should a compromise solution be achieved, the Ambassador might then be willing to exercise his good offices to assure the successful outcome of negotiations.

30. There appears no way at the present time by which we can ascertain the true nature of the Egyptian Government's charges without further involvement of [] and the possible hazard to a high level CIA agent now within the Egyptian Government. Under the circumstances, therefore, it seems that the best we can hope for is (a) that the press campaign already initiated may open the way for a negotiated settlement between Zog and the Egyptian Government, and (b) that the full list of charges against Zog will be made public so that we may review their implications for future action. Pending further developments, no additional action measures are contemplated.