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SECURITY INFORMATION

11 January 1952

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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SECTION 1 (SOVIET)

1. USSR. Russians threaten to tighten interzonal trade controls in Austria: Soviet officials in Austria recently implied to an Austrian official that controls over interzonal trade would be tightened unless the government committed itself to deliver specific quantities of aluminum, lead and copper to Soviet enterprises in Austria in 1952. The Soviet officials hinted that non-compliance would lead to curtailment of allocations of petroleum products from the Soviet zone and to restrictions on the movement of such items as scrap metal, machines, electrical equipment and other items. (S Vienna 2250, 8 Jan 52)

Comment: Soviet authorities have frequently complained of inadequate allocations of raw materials to their enterprises and have made threats in an effort to enforce their demands. In 1947, they informed the Austrian Government that a specified list of foods and industrial products would be permitted to move between zones only if an official permit were obtained from Soviet authorities, and this pressure technique could be used again to force concessions from the Austrians. Until now, however, trade between the Soviet and Western zones has taken place with little obstruction.

2. Secretary-General of the Finnish Foreign Office analyzes Soviet foreign policy: In a conversation with the American Ambassador at Helsinki last November, the Secretary-General of the Finnish Foreign Office referred to the fall barrage of Soviet notes, particularly those addressed to Turkey and Norway. Since the Russians could scarcely have expected the Norwegians and Turks to quail before them, the Secretary-General suspected other motives behind these exchanges. He suggested that the Soviet Union, under cover of this diplomatic activity, might be quietly preparing to retreat somewhere without too much loss of face. His best guess was that the Russians were prepared to settle in Korea on terms that were not much to their liking. (S Helsinki Desp. 440, 27 Nov 51)

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3. ALBANIA. Albanian Government attempts to secure gold and foreign currency: During the summer of 1951, the Albanian Government forbade the use of gold in all commercial transactions, [redacted] Any one wishing to obtain currency for gold coins must surrender them to a bank. An unspecified number of persons were arrested in an effort to force them, under threat of torture, to surrender gold holdings and foreign currency.

Trusted individuals have allegedly been sent abroad on more than one occasion to obtain foreign currency illegally through the sale of jewels.

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It was rumored that the reason for the drive to uncover convertible currency holdings was that the Albanian Government had to make a three million dollar payment to the Czechoslovakian Government by September 1951. (S/

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Comment: There was a marked intensification of effort by Albania during 1951 to collect dollars and gold. Albanian-Americans were solicited to contribute dollars to their former compatriots. Special stores dealing in luxury goods purchasable with coupons obtained from the exchange of gold or hard currency were opened. It is reported that the stores were stocked with luxury items imported from Czechoslovakia.

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Comment: It is possible that preparations for MIG-15 production in Czechoslovakia were completed by the end of 1951. [REDACTED]

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[REDACTED] who were engaged in the preparations for MIG-15 production, plans called for the completion of 10 prototypes by March 1952.

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5. YUGOSLAVIA. Three high government officials may visit America: Foreign Minister Kardelj has informed Ambassador Allen that three high Yugoslav officials -- the Federal Minister of Industry and Construction, Vukmanovic-Tempo, the Vice Premier of Serbia, Invan Vaselinov, and the Vice-Premier of Bosnia-Hercegovina, Avdo Humo -- desire to visit American industries. (C Belgrade 874, 9 Jan 52)

Comment: An unprecedented visit such as this would mark a significant development in closer US-Yugoslav relations, especially in view of the obvious propaganda target it would provide Tito's Cominform critics.

Irrespective of the overriding political connotations which would inevitably accompany a visit of Communist dignitaries to America, the event should be viewed in the contexts of overall Yugoslav economic difficulties and efforts to increase production, and the recently concluded economic cooperation pact between Yugoslavia and the US.

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Vukmanovic-Tempo, a former Partisan general and confidant of Tito, is one of the rising stars in the Yugoslav regime. During the reorganization of the economic hierarchy last fall, he emerged as the chief of the powerful Federal Council for Industry, which is potentially the primary center of control over internal economic development.

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SECTION 2 (EASTERN)

1. INDIA. Press reaction to Indo-American technical aid agreement: Except in Calcutta, the non-Communist Indian press has generally reacted favorably to signature of the Indo-American technical aid agreement whereby some fifty million dollars worth of technical assistance is to be made available to India. Papers stress the fact that this aid has no political strings, and they look forward hopefully to a new era of friendship and cooperation between India and the United States. In Calcutta, however, the press has expressed suspicion and distrust of the agreement, raising the old specters of foreign economic infiltration and pressure upon India to abandon its policy of neutrality between East and West. (U New Delhi 2358, 7 Jan; U New Delhi 2381, 8 Jan; R Calcutta 315, 8 Jan; R FBIS, 9 Jan 51)

Comment: It is not yet clear why the Calcutta press, which applauded passage of the US foodgrain loan bill in June 1951, should now criticize additional aid from the United States.

2. PAKISTAN. No foodgrain surplus forecast for 1952: The US Embassy in Karachi estimates that there will be no surplus foodgrain exports from Pakistan in 1952 because of poor rainfall and decreased acreages of crops sown in the fall of 1951. (R Karachi 672, Weeka 1, 4 Jan 52)

Comment: Any new shortage of foodgrains in South and Southeast Asia during 1952 will aggravate an already unfavorable food situation caused by adverse climatic and political factors. Ceylon, to which Pakistan has agreed to export 150,000 tons of rice, will probably suffer most from Pakistani crop failures. The most important aspect of the shortage, however, is that Pakistan, which has usually been assumed to be a food surplus area, may no longer confidently be counted on as such.

3. INDOCHINA. American Minister in Saigon disturbed by French peace hints: Minister Heath in Saigon, reporting that Premier Huu had banned publication of French Foreign Minister Schuman's reference on 6 January to a possible armistice in Indochina, observed that local centers of neutralism and appeasement had reacted quickly through press articles emphasizing the desirability of peace in the Far East.

Heath feels that statements such as Schuman's will gravely hinder the psychological mobilization effort in Vietnam. He also fears that India, which immediately cabled the text of Schuman's statement to its Consul General in Saigon, may seize the opportunity to propose mediation of the Indochina war or to submit the problem to the UN. (S Saigon 1344, 8 Jan 52)

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Comment: Occasional French hints at a negotiated peace in Indochina, put out over the past year or more, have usually emanated from the Ministry for Associated States rather than from the Foreign Office.

In a speech on 9 January Premier Huu appealed to China to cease its aid to the Viet Minh in order that an international conference could be held to settle the cold war throughout the Far East. It appears that the Premier believed the Schuman statement more portentous than earlier ones and was attempting to identify himself early with any forthcoming peace movement.

4. CHINA. Preparations for invasion of Formosa after cease-fire in Korea alleged: The Chinese Communists plan to transfer MIG-15's and light bombers to airfields in the East China coastal area if there is a truce in Korea, according to mid-December information from [redacted]

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[redacted] Preparations to attack Formosa already taken by the Communists include: (1) an increase in the number of ground personnel and Soviet technicians at these airfields; (2) the return from Korea of several Third Field Army divisions to the Nanking area; and (3) the transfer in mid-December of two Army Group commanders from Pyongyang to Nanking. [redacted]

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Comment: There is no reliable evidence that the Communists intend to invade Formosa in the next few months, whether or not an accord on a cease-fire in Korea is reached.

Airfields in Chekiang and Fukien Provinces, opposite Formosa, which were built or improved two years ago are believed inactive but are presumably maintained in operable condition.

5. KOREA. Soviet Far Eastern Commander in Chief reported in Korea: A [redacted] learned through circuitous sources in western Korea that on 26 September "four high ranking Soviet officers and three Soviet civilians" landed at Yonpo airfield near Hamhung in north-eastern Korea. One of the Soviet officers was reported to be Malinovski, Soviet Commander in Chief of Far Eastern military forces. This group stopped at Hamhung before going on to Pyongyang, where they were to meet with Chinese and North Korean representatives at the cease-fire conference. In connection with this visit, it was rumored that the Soviets desired a cease-fire for a short time only to allow a build-up of Communist strength in Korea. [redacted]

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Comment: It is not believed that such a hazardous route into Korea would be used by high-ranking Soviet officers. A sodded portion of Yonpo airfield has been operational for some time, but it seems doubtful if anything other than light planes could land there. Most indica-

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tions continue to point to a Communist desire for a cease-fire in Korea, although the duration of such an armistice is still an unknown quantity.

6. KOREA. ROK Minister of Defense desires to expand army: Defense Minister Lee, in a 9 January press conference, reported that a "considerable expansion" of the South Korean armed forces will be initiated by calling up second reservists between the ages of nineteen and twenty-eight. The establishment of the military college at Taegu is also part of this expansion program. (U FBIS Ticker, 9 Jan 52)

Comment: American observers believe that no further expansion of ROK forces should be considered until the force in being, and its officer corps, reaches a more advanced state of training.

7. JAPAN. Police claim Nagoya Times pistol story exaggerated: Japanese police sources claim that a late November Nagoya Times story that approximately 680 pistols had been confiscated in the city was exaggerated. (See Daily Digest, 9 Jan 52) Police explained that the quoted total represented all pistols confiscated in Japan since the cessation of hostilities. (S Far East Command Daily Intelligence Summary, 29 Nov 51)

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SECTION 3 (WESTERN)

1. GENERAL. Action on Czech overflight requests to be delayed: A Belgian Foreign Office spokesman has suggested that, before answering the month-old Czech requests for approval of the proposed Prague-Paris air route by way of Copenhagen, The Hague and Brussels, the interested governments coordinate their replies through an international conference to discuss the matter in detail or by an exchange of notes. Both the United States and Britain have strongly suggested that the requests for landing rights be denied, because approval would circumvent existing controls on Czech overflights in Western Europe.

France, which has not yet received a Czech request, has stated its intention not to grant the landing rights, and the Netherlands has hinted at similar action. Belgium's position, however, is unclear beyond its willingness to continue stalling. Denmark feels that it has no legal grounds on which to refuse the Czech request.

So far, Czechoslovakia has applied pressure only on Denmark; thus it appears that the Czechs wish to obtain Danish approval first to use as a bargaining point in discussions with the other countries. (Factual data from: C Brussels 908, 7 Jan 52; S The Hague 665, 3 Jan 52; S Brussels 881, 28 Dec 51; C Copenhagen 483, 5 Jan 52)

2. EAST GERMANY. Government denies plans for currency reform: The East German Government has officially denied rumors that large numbers of East Marks are being printed in preparation for a currency reform. A Soviet Zone bank official has admitted that orders have been placed for the printing of new East Mark bills, but that they are merely for the gradual replacement of deteriorated old bills. The wide circulation and acceptance of the rumors of a currency exchange have already induced sufficient unloading of East Mark holdings to depress the value of the East Zone currency to where one Deutschmark, which formerly bought only 3.92 East Marks, will now buy 4.45 East Marks. (R FBIS Berlin and Frankfurt, 6 to 10 Jan 52; P Berlin 892, 8 Jan 52)

Comment: Official denial of reform plans was probably designed to prevent the inflationary pressure and consequent depreciation of the East Mark which would result from the unloading of East Mark holdings. A currency reform might be intended to appreciate the East Mark to the value of the West Mark, thus enabling the Communists to claim that they had overcome the economic barrier to integration. Such an artificial measure would not facilitate integration of the zonal economies and would have only propaganda value; it might also further impair the stability of the Soviet Zone currency.

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3. AUSTRIA. Ambassador-designate to US sees Austrian economic picture as grim: Dr. Max Loewenthal-Chlumecsky, Ambassador-designate to the US, reportedly asserted [redacted]

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[redacted] that he sees little prospect of reducing Austria's annual foreign trade deficit. Attributing this deficit to the cost of coal imports, Loewenthal reputedly urged that Austria increase the export price of its electric power and offer premiums for exports to Germany to improve its balance with that country. He stated, however, that Foreign Minister Gruber had vetoed the latter proposal for "political reasons," and has instructed him that his main task in Washington will be to obtain no less than 145 million dollars in economic aid in 1952.

Regarding trade with the Soviet Orbit, Loewenthal said there is little prospect of increasing imports from the East beyond present levels. Charging too lenient an attitude on the part of Austrian officials influenced by exporters, he urged quick retaliation when Satellite exports fall below agreed quotas. [redacted]

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Comment: Funds now allocated to Austria as economic aid are 25 million dollars below the figure held essential by the Austrian Foreign Office.

While Austria has in some cases attempted to schedule Satellite deliveries to insure the fulfillment of trade agreement quotas, the government recently requested special permission to deliver alloy steels to Czechoslovakia, justifying the exception, in part, as necessary to preserve a foreign market.

4. BELGIUM. Consultations for new Belgian Cabinet under way: Prime Minister Pholien's one-party Social Christian (Catholic) Cabinet has resigned in order to permit the formation of a government more able to cope with the "present difficulties" facing Belgium. For the past month the government has been attacked not only by the opposition parties, but also by influential members within the Catholic Party who have been calling for ministers with strong financial and economic policies.

Leading candidates for prime minister are Eyskens and Duvieusart. Both the Foreign Minister and Defense Minister are expected to keep their present posts. Political observers do not foresee a general election. (R Brussels 915, 8 Jan 52; R Hilversum, 9 Jan 52; NY Times, 10 Jan 52; French News Agency, 10 Jan 52)

Comment: Possible changes in the Belgian Cabinet have been rumored since labor's success in obtaining wage concessions from the government in late October. Except for Van Zeeland, now Foreign Minister, there are few leaders of stature within the Social Christian Party willing to risk their reputations to patch up the performance of the Pholien government. Because neither the Socialists nor the Liberals are likely to join with the Catholics

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in a coalition, and because new elections will cause the Catholics to lose their present parliamentary majority, every attempt will be made to form another homogeneous government.

5. NETHERLANDS. Dutch support of the European Defense Community seems assured: Dutch Foreign Minister Stikker has told a US Embassy official that he feels "reasonably sure" of early agreement on the European Defense Community and intimated that his country would modify its previous position on the unresolved issues to facilitate over-all agreement. Although concerned that the Community concept as envisaged by France does not tie into NATO, Stikker seemed reassured when told that the US considers the EDC a necessary adjunct to NATO and that the US would oppose any change in what it considered a desirable relationship between the two organizations. (S The Hague 686, 9 Jan 52)

Comment: Continued US and British support of the EDC will help ensure Dutch participation in the army plan. Modification in the formerly adamant Dutch stand on certain aspects of the EDC would probably lead Belgium and Luxembourg to soften their opposition.

6. ITALY. Conservative press comments on Churchill's US trip unfavorable to Britain: The Truman-Churchill meetings in Washington, in addition to eliciting factual reporting in the non-Communist press, have evoked in some conservative papers editorials unfavorable to Britain. Comments by La Stampa, Momento Sera, Giornale di Scilia, and others add up to the thesis that Churchill is hostile to European federation and the European defense plan, that he is trying to retrieve for his country the equality with the US in world leadership that it enjoyed in Roosevelt's time, and that what he may achieve in Washington will be an exclusively British success. Gazzetta del Popolo observes that the meetings are particularly significant, coming at a time when Britain is much weaker and the US much stronger than was the case ten years ago. (U Rome 3062, 8 Jan 52; R FBIS, 7 and 9 Jan 52)

Comment: These comments reflect the anti-British sentiments of large numbers of Italians, including high government officials, who ascribe the loss of their former colonies and the Trieste impasse to British unfriendliness. These sentiments persist despite current efforts of Eden and De Gasperi to establish more cordial diplomatic relations between the two countries.

7. SWITZERLAND. Swiss to approve military materiel orders for US: The Swiss Undersecretary of State is approving export licenses for the two million dollars' worth of rockets and other munitions now being manufactured in Switzerland for the US, and will approve export permits for additional

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orders of twelve million dollars now being negotiated. In exchange, he requests that licenses be granted for 374,000 dollars worth of items on order from the US and urgently needed by the Swiss Army.

The US Minister in Bern strongly urges approval of this request because of the importance to the West of Swiss cooperation in military matters and in export controls. (S Bern 856, 8 Jan 52)

Comment: The practically unconditional approval of large US military orders at this time indicates a considerable departure from Swiss neutrality, as a result of their extreme anxiety to obtain US military materiel to fulfill their rearmament program. The Swiss are also concerned lest military imports from the US be made conditional on a satisfactory solution of the problem of liquidating German assets in Switzerland.

8. Swiss will furnish personnel to supervise Korea armistice: The Swiss Minister in Washington has informed the Department of State that the Swiss Government would reply favorably to a US request to provide officers for an inspection group in Korea following a possible armistice there. The US had inquired as to the availability of the Swiss for such a purpose. (S State Dept Washington, [REDACTED] 25X1A)

Comment: Their willingness to participate in the supervision of an armistice demonstrates once again that the Swiss desire to make themselves useful to both East and West and thereby preserve the utilitarian basis for their political neutrality.

9. UNITED KINGDOM. New US aid arrangements formalized: An exchange of notes and verbal statements between Britain and the US on 8 January emphasized that in accepting economic aid under the Mutual Security Act, the United Kingdom would not be assuming any commitments going beyond those already agreed to under ECA. The notes will not be published until after Churchill's return to England and the exact amount of the aid is settled. The verbal statements will not be made public in any form. (S MSA London 28, 8 Jan 52)

Comment: There has been considerable British concern, fostered partly by statements of American Congressmen, over the sentence in the new act specifying that aid is given "to further encourage the economic unification and political federation of Europe." Any British government would have been forced by public opinion to seek some assurance that Britain's taking a more active role in European integration measures was not a condition of the aid grant.

Although the exact amount of the grant has not yet been determined, it is expected to be between 300 and 400 million dollars.

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10. SPAIN. Basque Nationalists say Franco has scored great victory: Radio Euzkadi, voice of the Basque Nationalist government-in-exile, calls the recent press statements of US officials regarding economic aid to the Franco regime a great victory for the Generalissimo. It regards Franco's continued intransigence, expressed in his New Year's Eve message, concerning the policies of his regime as fully justified because the US, in granting him aid, has altered its policy to accommodate him. The radio commentary deplores the "misguided self-interest" of the US and warns that strengthening Franco amounts, in the long run, to strengthening Communism.

The Basque Nationalists nevertheless urge a realistic appraisal of the Spanish situation by the opposition and the recognition of the fact that the non-Communist opposition's weakness and fractionalism has probably contributed more to Franco's continuance in power than has the recent shift in American policy. (R FBIS, 9 Jan 52)

Comment: Recent statements ascribed to US officials have produced a flood of excited comments in the Spanish press, which give the impression that pending US-Spanish economic and military negotiations will result in the economic rehabilitation of the country.

11. MOROCCO. Spanish Zone reforms may be nearing completion: The Sultan's representative in the Spanish Protectorate of Morocco reportedly will go to Madrid on 13 January to discuss administrative reforms with Franco. Meanwhile, the leader of the Spanish Moroccan nationalists has entered into discussions with the Spanish Military Attache in Tangier. (S Tangier 230, 9 Jan 52)

Comment: Administrative changes intended to avoid Arab League criticism of Spanish rule in Morocco have been rumored since mid-summer. Although there may be some reorganization of governmental services, there is little likelihood that the regime will undergo any substantial liberalization.

12. GOLD COAST. Developing political crisis may endanger self-government: Noting the strong dissension within the dominant Convention People's Party over its leaders' relatively moderate policy, the American Consul at Accra estimates that the British Governor may be forced in effect to suspend the constitution's self-government provisions through the use of his reserve powers. The Governor left for London on 7 January for a ten-day consultation with the Colonial Office.

In any event, serious trouble is indicated for the Convention People's Party and the British administration at the next session of the Legislative Assembly meeting on 29 January. Head of the party and Leader of Government Business Kwame Nkrumah has been losing support since early December, because

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of his restrained approach to the issues of self-government, his collaboration with the British, and disagreements over party finances. (C Accra 93, 9 Jan 52)

Comment: The Convention People's Party came to power on a radical program about a year ago in the first election held under the new constitution, which grants the Gold Coast a considerably greater degree of self-government than the natives had previously obtained in any African colony. This is the first indication that the dissension within the party over unfulfilled campaign promises is great enough to threaten the government's stability. Suspension of the constitution would arouse violent opposition in the Gold Coast itself, and might well shake native confidence in the British program of gradual self-government for other African territories.

13. BOLIVIA. New attempt to oust military junta possible: General Torres, Commanding General of the Bolivian Army, will, [redacted] [redacted] soon attempt to remove the military junta because of its "do-nothing" policy and its refusal to hold elections. Torres and General Seleme, Minister of Government, are on friendly terms. (C La Paz 261, 9 Jan 52) 25X1C

Comment: Torres favors the Nationalist Revolutionary Movement and is known to have opposed the military junta's assuming power last May. His appointment was in the nature of bribery to keep him from cooperating with the opposition. He would appear to be more moderate than the average Nationalist, however, since he refused to permit his military unit to engage in the Movement's 1949 revolution.

General Seleme has also been maneuvering to oust the junta and may believe that his best chances are with Torres. A growing rift in the army and widespread dissatisfaction with the economic situation have contributed to the junta's instability.

14. CHILE. Diplomatic-military conversations with US agreed to by government: An aide-memoire accepting the US proposal to initiate diplomatic-military negotiations for a bilateral military assistance agreement has been authorized by Chilean President Gonzalez Videla and initialled by the Foreign Minister. Fears of internal political repercussions in this electoral year had caused the matter to be stalemated in the Presidencia, although strong approval had been expressed first by the combined general staff and then by the cautious Minister of Defense.

The Foreign Minister and the Undersecretary are very concerned about publicity which must be given when US military representatives arrive. The Foreign Minister strongly stressed fears of political capital that would be made by internal and foreign opponents of the administration when

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the negotiations become known. The US Embassy comments that the President is an astute politician and, after deliberate consideration, he may have grounds to think he can extort from the US a quid pro quo on the copper or some other problem.

The Embassy also states that the Straits of Magellan shipping control office proposal of the US lies dormant in the Presidencia, and has not been brought to the attention of the Minister of Defense despite the lively interest of the Chilean Navy. The President fears that presidential aspirant Ibanez del Campo might make political capital "thereof abetted by the Argentines." (S Santiago 345, 8 Jan 52)

15. GUATEMALA. Government is willing to accept conditions of US technical assistance: The Guatemalan Foreign Minister has stated that his government sees no objection to Sections 511(b) and 515 of the Mutual Security Act and desires to continue existing programs of technical cooperation with the US. The US Ambassador considers this to constitute agreement to the provisions, pending their incorporation into revised project agreements. (R Guatemala City 208, 8 Jan 52)

Comment: The two mentioned provisions have been applied to technical cooperation agreements. Section 511(b) denies technical assistance unless the recipient country "has agreed to join in promoting international understanding and good will, and in maintaining world peace, and to take such action as shall be mutually agreed upon to eliminate causes of international tension."

This action by Guatemala will permit the programs of technical cooperation with the US to continue.

16. MEXICO. Tungsten concentrates being shipped to Orbit countries: Of a monthly production of 30 tons of tungsten concentrate from Sonora, Mexico, only five tons are entering the US while a substantial portion of the remainder is believed being shipped to the Soviet Orbit. In contrast to the 62 dollars per 20 pounds offered by US buyers, others are offering from 72 to 80 dollars. (C Mexico City 883, 7 Jan 52)

Comment: Mexican production of tungsten concentrate, although very small, has increased from an average of three metric tons per month in 1950 to the present rate. A number of small mining properties have been developed recently and others may be brought into production. As is the case with copper, the tungsten concentrates are probably being shipped to Orbit countries through cover firms in western Europe.

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SECTION 1 (SOVIET)

1. YUGOSLAVIA. Yugoslav Foreign Minister suggests "peaceful" solution of Mura River dispute: Yugoslav Foreign Minister Kardelj has informed American Ambassador Allen that in the event Hungary rejects the Yugoslav request for a joint commission to examine the Mura River island dispute, Yugoslavia would give full international publicity to its position, but had not decided "to bring the matter before any international forum." He added that "while the controversy involved a serious territorial principle, the island itself was of no great consequence."

In explaining the origin of the island, Foreign Minister Kardelj stated that the Hungarians had created the island in the thirties by constructing a breakwater into the river on the Hungarian side which deflected the main current. Consequently, Kardelj hinted that the Yugoslavs would cause the island to disappear next spring by building a breakwater farther up the river on the Yugoslav side. (S S/S Belgrade 869, 8 Jan 52)

Comment: During the past two weeks, both governments have exchanged a series of protest notes. Hungary has claimed jurisdiction on the basis of the Treaty of Trianon, and Yugoslavia has objected to the Hungarian military occupation of "Yugoslav territory" and has called for an immediate evacuation.

SECTION 2 (EASTERN)

2. EGYPT. Court adviser suggests West present new proposals directly to King: King Farouk's chief court adviser believes that any new Western proposals on the Suez and Sudan issues should not be presented to the present Wafd government. Accordingly, the King's adviser suggests that any new offers be submitted to the King, who may then determine what action to take.

The adviser believes that the present government is not sincerely interested in negotiations and must be dismissed before any solution can be achieved. He also considers it necessary that literate public opinion support such action, and thinks that the opportune moment for a change in government has not yet arrived. (S S/S Cairo 1004, 7 Jan 52)

Comment: Reports from Cairo generally agree that the King is biding his time, convinced that for the time being inflamed public opinion is too strong to counter. A change of cabinets at this time might result in a more serious internal situation without any possibility that a negotiated settlement with Britain could be reached.

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SECTION 3 (WESTERN)

3. AUSTRIA. Population puzzled by absence of US retaliation against Hungary:
The US Embassy in Vienna reports that there are a number of indications that Austrians are in general puzzled by US failure to retaliate more energetically against Hungary for the detention and trial of American airmen. Austrians allegedly imply that it is difficult for exposed countries to stand firmly against the Soviet Orbit when the US itself is not able to do so. (S S/S Vienna 2235, 8 Jan 52)

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