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4 June 1957



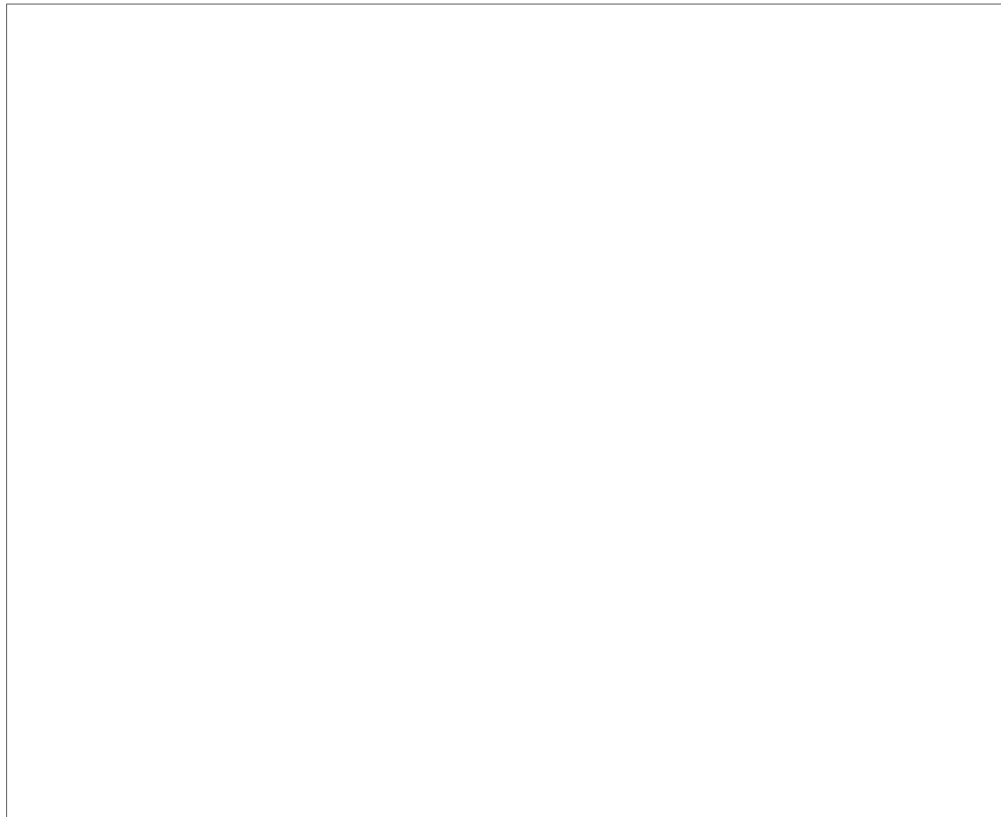
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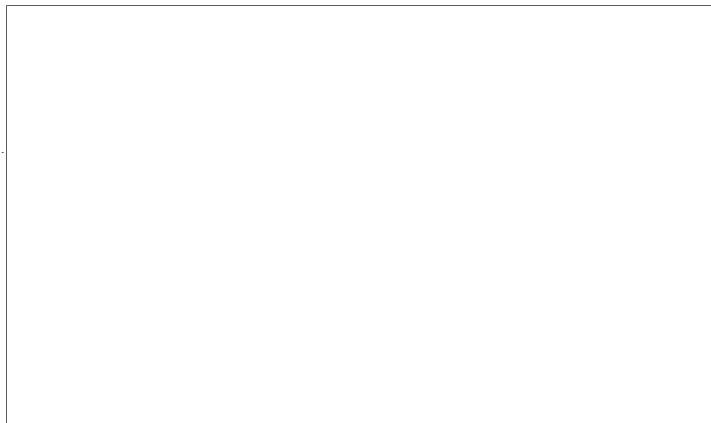
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1. NASR STATES VIEWS ON COMMUNISM

Reference:

In a lengthy interview with Ambassador Hare on 28 May, President Nasr reiterated his opposition to the growing strength of Egyptian Communists, who, he said, feel that he will not move against them for fear of harming Soviet-Egyptian relations. He stated that the Egyptian government appreciates Soviet assistance,

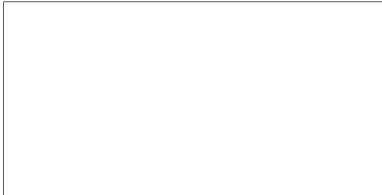
but that to avoid too close an identification with the USSR, he had refused an offer three months ago to exchange 10,000,000 Egyptian pounds (\$28,000,000) for the equivalent in gold to provide Egypt with foreign exchange.

Nasr also said that despite the present satisfactory relationship with the Soviet Union, his government "understands the expansionist aspect of international Communism and wants none of it in Egypt." However, he added that because of America's "hostile policy," Egypt cannot run the risk of taking an all-out stand against the Communists and then find itself facing the US on a "second front."

Nasr intends to visit Moscow in September. Plans for a visit were originally announced in August 1955, but the trip has been repeatedly postponed.

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2. SOVIET SUBMARINES LEAVING BALTIC MAY BE HEADED FOR EGYPT



A Soviet naval force consisting of two long-range submarines, one short-range submarine, a minesweeper, and a tanker left the Baltic on 31 May. After refueling operations on 2 June in the North Sea, the tanker reversed course and the remainder of the force continued toward the English Channel.

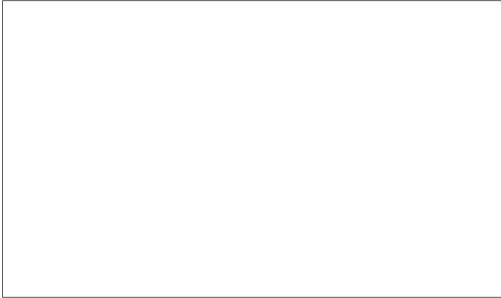
Comment

The most likely destination of this force is the Mediterranean area, where one or more of these units may be transferred to Egypt. An attempt to deliver a short-range submarine to Egypt last fall under Polish colors failed because of the hostilities in the Suez area. At least two submarines were ordered by Egypt in the initial arms agreement with the Soviet bloc in 1955, and Egyptian naval personnel have received submarine training in Poland.



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3. CHINESE NATIONALISTS WARN OF POSSIBLE INCIDENT IN QUEMOY AREA



The Chinese Nationalist foreign and defense ministers have separately warned American officials of the dangers to British ships which might attempt to enter Amoy and Foochow. Foreign Minister Yeh told Ambassador Rankin that the recent relaxation of trade con-

trols by the British might result in increased shipping into these two ports, and that Britain should understand that such movements might heighten tension in an already tense area.

Defense Minister Yu asserted that the Chinese Communists have intensified their artillery fire in the Quemoy region and increased their reconnaissance of nearby Tatan and Erhtan Islands, possibly in preparation for an assault.



Comment

Two Chinese Nationalist warships on patrol near Quemoy Island claim to have "crippled" a vessel identified as a 1,500-ton "Communist transport" on 31 May. This ship may have been a British merchantman, possibly the 1,288-ton White Bee, which is reported to have run past Nationalist-held islands into Amoy harbor on the night of 27 May. Yu mentioned the 31 May incident in his presentation and his description of it suggests that the Nationalists either know or suspect that the ship was British and are trying to justify their action. The Admiralty has informed all British-flag ships declaring for Amoy of the dangers of the passage and warned them not to make an attempt.

There is no evidence that a Communist attack on Erhtan and Tatan is imminent, although the Communists have the capability to take both islands with little or no warning. If a British ship was involved in the 31 May incident, strong official reaction from London is improbable.

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4. DEPUTY PREMIER KATAY CHOSEN TO FORM LAOTIAN GOVERNMENT

Comment on:

Deputy Premier Katay, Nationalist Party leader and advocate of a tougher Pathet Lao policy, has been chosen by the crown prince to form a new government. Although the situation remains uncertain, Katay's prospects of obtaining the required two-thirds vote of approval in the National Assembly appear

to be fairly good. He is apparently assured of Independent Party support, and there is a reported disposition within the Democratic Party to join the Nationalists and Independents in a strong anti-Communist policy.

Outgoing prime minister Souvanna Phouma, who controls a large faction of the Nationalist Party, has evinced little desire to succeed himself. He reportedly has stated that he would support Katay, who has been his most vigorous critic, if the latter would follow the policy of accommodation of the Pathet Lao. Katay has refused to enter into such a deal, but would probably be willing to offer Souvanna a prominent post in his cabinet in view of the latter's strong bargaining position.

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5. WEST GERMANS EXPRESS FEARS ON AERIAL INSPECTION PROPOSALS

Comment on:



Commenting on the current London disarmament talks, Wilhelm Grewe, chief of the Political Department of the West German Foreign Ministry, told the American chargé that Bonn is worried over the implications of any proposal for aerial inspection of Western Europe. He added that Germany's chief problem is that such an inspection would probably involve a multilateral treaty in which the USSR would insist that the East German government take part. Grewe said his government was still not entirely clear on the details of the US proposals and wanted more time to consider them. He said Bonn hopes that the United States, in initial talks with the USSR, will not go beyond discussing aerial inspection of Arctic regions.

Embassy officials comment that Bonn is faced with a dilemma on this issue, since in the current Bundestag election campaign Chancellor Adenauer must support disarmament but at the same time oppose any disarmament agreement for which German reunification is not a prerequisite.

Adenauer said on 31 May that Bonn would agree to an inspection zone comprising areas of East and West Europe, but that the zone would have to be "considerably larger than Europe," which is "only a fraction of a defense belt."

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**6. KING SAUD SEEKING TO POSTPONE VISIT TO JORDAN
OUT OF FEAR OF ASSASSINATION**

Comment on:

King Saud fears possible attempts to assassinate him on his projected visit to Amman, scheduled to begin on 8 June.

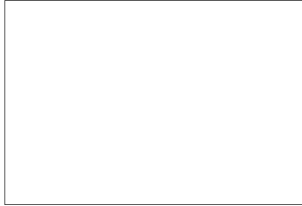
King Hussain and the Iraqis are believed eager to have Saud's visit take place as soon as possible in order to strengthen the prestige of Hussain's new regime in Jordan. Saud's apprehension, however, indicates that he has been deeply impressed by recent signs of Egyptian and Palestinian conspiracy against the Arab monarchies.

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7. USSR PLANNING LARGE MOSLEM PILGRIMAGE TO MECCA

Comment on:



The Soviet government is planning to send 500 to 750 Soviet Moslems to Mecca for the annual pilgrimage in June and July, [redacted]

[redacted] The pilgrims would go by air via Cairo.

Last year only 20 Soviet Moslems went to Mecca in the pilgrimage. During the past year, however, more Moslems from the Sino-Soviet bloc have visited the Moslem world than in any recent comparable period. Moscow undoubtedly sees in the pilgrimage a useful means of convincing Islam of Soviet religious freedoms, despite continuing criticism of Moslem religious rites within the USSR by the Soviet provincial press.

Moscow may also consider the problem of transporting such a large group as a useful means for increasing its pressure on Greece and Yugoslavia for regular flight corridors between the Soviet bloc and Egypt over one of these countries. [redacted]


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8. AFGHAN KING TO VISIT USSR IN LATE JULY

Reference:



The Kabul press announced on 29 May that King Zahir Shah will visit the USSR for two weeks beginning on 15 July. The king plans to vacation in Western Europe in early July. His visit will follow shortly after Foreign Minister Naim's, previously announced for June. 

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9. WORLD PEACE COUNCIL MAY LOCATE IN FINLAND



The French ambassador in Helsinki believes the World Peace Council (WPC) is planning to move its headquarters to Helsinki in the near future. As evidence to support this belief, he cites the arrival of 30 WPC functionaries in Finland in mid-April to work on preparations for the WPC's plenary session in Ceylon, and the construction by the Finnish Communist Party of two large buildings costing approximately \$3,000,000, in which Soviet engineers are installing equipment for simultaneous translations into eight languages.

The French have suggested a combined approach to the Finnish government by the West, including the Scandinavian countries.

Comment

Since the Austrian government expelled the WPC from Vienna in February, it has had its headquarters in Prague. The WPC would prefer to be located in the free world, thereby avoiding close association with the Communist bloc.


The Finns' decision will be based primarily on how it will affect their relations with the USSR--not by any pressure or suggestions from the Scandinavian governments, which in any case would be reluctant to interfere in Finnish affairs.

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10. ANNOUNCEMENT OF BRITISH NUCLEAR TEST



The second explosion in the current series of British nuclear tests occurred about 400 miles south of Christmas Island on 31 May, according to an official announcement. As it did following the first test on 15 May, the UK announced that the device had been exploded at "high altitude."

According to the US Atomic Energy Detection System, preliminary analysis indicates that the device yielded approximately twice the explosive power of that detonated on 15 May, which is now estimated to have yielded about 270 KT. 

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