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SECURITY INFORMATION

20 September 1952

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Copy No.

57

CURRENT INTELLIGENCE BULLETIN

[Redacted]

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DOCUMENT NO. 53
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 18 Dec 79 REVIEWER: [Redacted]

Office of Current Intelligence

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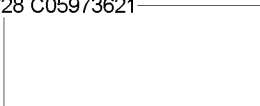
CENTRAL INTELLIGENCE AGENCY

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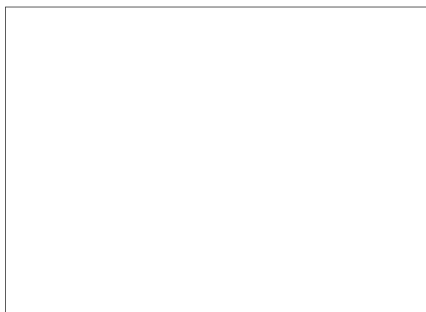


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FAR EAST

1. Japanese fisheries patrol off Korea may cause incidents:

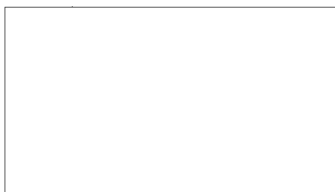
The establishment on 20 September of a Japanese fisheries patrol off Korea, radar-equipped to warn fishing boats of impending capture, could lead to serious incidents, according to the American Charge in Pusan. He notes that the unarmed patrol will run through the fringe of Korean coastal islands, and that President Rhee has ordered the seizure of all Japanese boats coming within that area. The Charge doubts that representations to Rhee would be useful, because of his animosity toward Japan.

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Meanwhile Ambassador Murphy reports from Tokyo that the Japanese are fully aware of the possibility of incidents and seem prepared to face the consequences.

Comment: Japan has formally protested Rhee's January proclamation which extended Korean territorial waters beyond the three-mile limit. This action to exclude the Japanese from prewar fishing grounds has already resulted in the seizure of several Japanese boats.

NEAR EAST - AFRICA

2. Iranian Chief of Staff unfriendly toward American military mission:

The newly appointed Iranian Chief of Staff, Brigadier General Baharmast, has ordered that current plans for reorganizing the army should not be divulged to the US Army Mission. Baharmast reportedly told his subordinates that the American advisers were "tools of the British." The Iranian General Staff, he added, must realize that the US military aid will eventually be discontinued, and therefore must learn to act independently.

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Comment: It has been assumed that the nationalists would eventually demand that American military aid to Iran be withdrawn. This is the first indication that Baharmast does not intend to cooperate with the mission. Despite his nationalistic and anti-foreign attitude, US army representatives in Iran had expected him to favor continuation of American aid.

Mossadeq's military advisers have recommended a decrease in the strength of the army and an increase in the gendarmerie.

3. Iran interested in private oil settlement:

[Redacted]

Prime Minister Mossadeq will deal with any business firm which can solve the oil problem within the framework of his demands.

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[Redacted] both Mossadeq and Kashani are willing to deal with an American firm with or without the approval of the United States.

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Comment: Mossadeq has proposed new terms for a settlement which will hardly be acceptable to Great Britain.

The approaches made [Redacted] from other American firms, [Redacted] encourage Mossadeq to remain obdurate.

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4. Egyptian Government requests Schacht's advice on economic problems:

[Redacted]

The Egyptian Foreign Ministry requested its mission in Tehran to invite Dr. Hjalmar Schacht, former German Minister of Finance, to visit Cairo to advise the government on "an important economic question." The Ministry stated that Dr. Schacht's stay in Egypt need not last longer than a week.

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Comment: Egypt's invitation to Schacht, immediately after General Nagib took over the premiership, suggests that the general may have doubts about his ability to carry out the announced economic reforms.

Dr. Schacht did not stop in Cairo on his recent flight from Iran to Germany. He has reportedly also been invited to visit Damascus to advise the Syrian Government.

WESTERN EUROPE

5. Arab agitation against German-Israeli settlement worries Bonn:



Chancellor Adenauer has expressed his concern to HICOG officials in Bonn over the Arab League's plans to send a delegation to West Germany to continue the

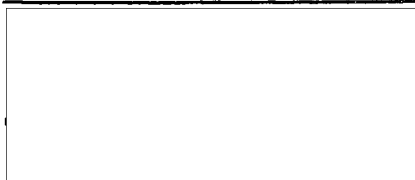
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agitation against the German-Israeli restitution settlement. The visit would only aggravate the situation and not prevent Bundestag ratification of the agreement.

The Chancellery, noting that the Director General of the Syrian Foreign Ministry is already contacting various political parties in Bonn, fears that his activities may excite anti-Semitic feeling in Germany.

Comment: Revival of anti-Semitic feeling at this time in West Germany, in conjunction with the strong public agitation for the release of German war criminals held by the Allies, might cause the Adenauer government difficulty when the Bundestag debates the Bonn and Paris treaties.

6. Denmark's policy on NATO bases seen dependent on Norwegian approval:



Hans Hedtoft, Danish Social Democratic chairman, reports considerable opposition in his party to the government's plans to make airbases available to other NATO countries. He believes that the party's support will depend on public

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approval by the Norwegian Labor government, since many members argue that Denmark need not do what Norway refuses to do.

Hedtoft will visit Oslo this week in an effort to persuade the Norwegians to give public support to Denmark's position, even if Norway will not change its own policy.

Comment: Denmark's minority government accepts the idea of American-manned air bases and is engaged in persuading public opinion of their necessity. It would not go through with the plan, however, without Social Democratic support.

The Norwegian Labor government, though indicating willingness to construct additional airfields to NATO specifications, has hitherto refused to reverse its frequently-proclaimed policy of not permitting foreign-manned bases in Norway in time of peace.

7. Critical period foreseen for French non-Communist labor unions:

 French non-Communist labor leaders fear that the recent high-level purge of the Communist Party will increase the influence of Benoit Frachon, leader of the General Confederation of Labor, in his drive for non-political trade unionist objectives. Leaders of the Socialist-oriented Force Ouvriere have long feared that such a drive would attract their following and destroy this anti-Communist organization.

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Comment: The members who were purged, including Andre Marty and Charles Tillon, had opposed cooperation with non-Communist elements and had handicapped Frachon's efforts by subordinating labor activities to political objectives.

Active labor support for the confederation's campaign for a 15-percent wage increase will be determined by price trends in the next few months.

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