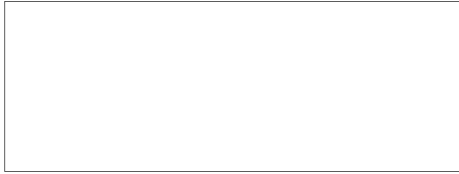


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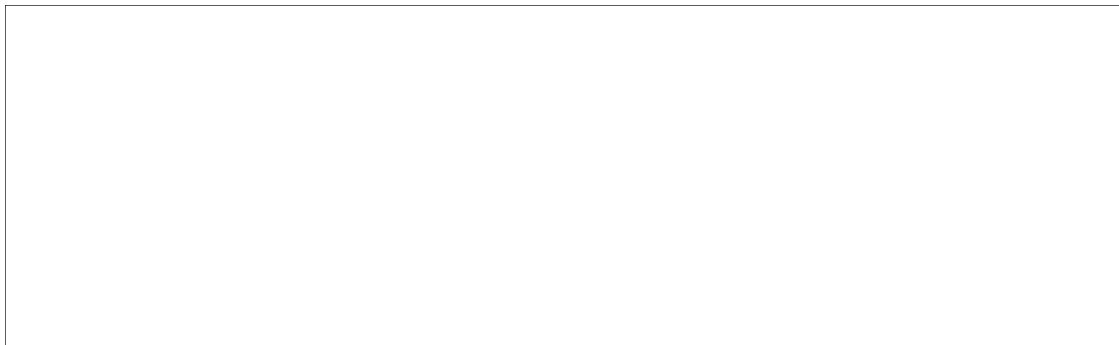
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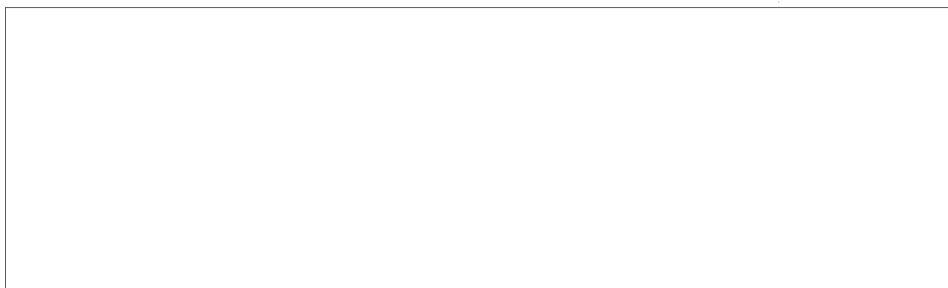


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~~TOP SECRET~~



CONTENTS

1. SOVIET ARMS OFFERS REPORTEDLY ACCEPTED BY EGYPT (page 3).

2. TOKYO DROPS PREREQUISITE FOR RECOGNITION OF USSR (page 5).

3. COMMENT ON CRISIS IN GREEK-AMERICAN RELATIONS (page 6).

4. YUGOSLAVS PLEDGE CONTINUED CO-OPERATION WITH GREECE (page 7).

5. ICELANDIC OPINION RELATES PORKKALA TO NATO BASE AT KEFLAVIK (page 8).

23 Sept 55

Current Intelligence Bulletin

Page 2

~~TOP SECRET~~

1. SOVIET ARMS OFFERS REPORTEDLY ACCEPTED BY EGYPT

[REDACTED] On 21 September Egypt signed a five-year "open agreement" with the USSR under which the Soviet Union is committed to sell certain categories of military equipment to Egypt, [REDACTED]

The initial Egyptian order consisted of

200 jet aircraft

[REDACTED] six jet training planes, 100 heavy tanks, six torpedo patrol boats and two submarines. One hundred of the aircraft are to be delivered by December 1955. The total cost of this equipment is 30 million Egyptian pounds (about 85 million dollars) and is payable in Egyptian exports.

The first shipment of Soviet equipment has been inspected and accepted by Egyptian officers at Odessa and either has been or is about to be shipped. Soviet technicians are to go to Egypt to assist in assembling the aircraft, but will stay only three months.

[REDACTED] the Egyptian government has decided not to make a public announcement, but rather to publish a series of editorials arguing that Egypt should no longer wait for the West, but accept the Soviet offer. [REDACTED] editorials began to appear on 21 September. [REDACTED]

Comment

This detailed report is in line with other recent reports, even though the quantities involved seem high in terms of Egypt's capacities. Aside

from assemblage of the aircraft, Egyptian personnel would require much more than three months for learning to maintain and fly the planes.

Supplying arms to Egypt would break a long-standing Soviet practice of shipping arms only to countries in the Sino-Soviet bloc, and may presage a series of similar offers which would allow arms to flow into troubled areas. The USSR has recently offered Saudi Arabia arms and economic assistance, and has shown special interest in Syria.

Should Egypt receive a substantial quantity of modern arms from the USSR, the first and most vigorous reaction would come from Israel. The Israeli government would step up its campaign to obtain a specific security guarantee from the United States.

Shipment of Soviet arms to Egypt would increase the influence of elements in Israel who argue that a preventive war against Egypt is the only real solution to the Arab-Israeli problem.

2. TOKYO DROPS PREREQUISITE FOR RECOGNITION OF USSR

[REDACTED] Tokyo has apparently retreated from its previous position that the immediate and unconditional repatriation of Japanese detainees is a prerequisite for normalizing relations with the

USSR.


[REDACTED] Japan was willing to establish diplomatic relations with Moscow prior to the return of Soviet-held Japanese and rely on an exchange of notes outlining the Soviet repatriation plan at the time a treaty was signed.

The speedy negotiation of a settlement with Moscow by Chancellor Adenauer may have influenced the Japanese to shift their position. [REDACTED]


[REDACTED]

Statements by Soviet leaders, such as that of Khrushchev on 21 September to a visiting Japanese parliamentary delegation citing the quick German agreement and charging Japan with deliberate stalling, probably will strengthen pressure in Tokyo for acceptance of some of Moscow's other terms.

3. COMMENT ON CRISIS IN GREEK-AMERICAN RELATIONS

 The Greek press is launching a bitter attack on the United States as a result of the American vote on 21 September against inscription of the Cyprus issue on the agenda of the UN General Assembly.

Both Greek foreign minister Stephanopoulos in New York and Deputy Premier Kanellopoulos in Athens reacted strongly to the American decision and predicted dire developments when given advance information of it. Reports from Athens, including a statement by Ambassador Cannon, suggest, however, that local Greek security forces are probably capable and desirous of handling any demonstrations. British forces on Cyprus are likewise adequate for maintaining local order.

Aside from the possibility of isolated acts of terrorism, the more serious longer-range threat would appear to be the rising trend toward neutralism in Greece, which will be given strong encouragement by the sense of frustration and abandonment now rife in Greek political circles. 

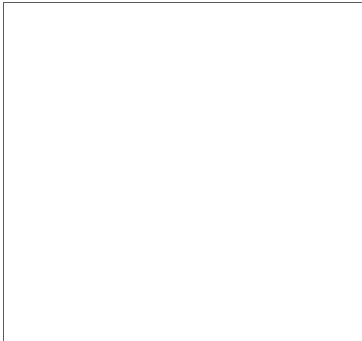
23 Sept 55

Current Intelligence Bulletin

Page 6

~~TOP SECRET~~ 


4. YUGOSLAVS PLEDGE CONTINUED CO-OPERATION WITH GREECE



The Yugoslav government has informed Athens that if Greek-Turkish co-operation should cease, the Yugoslavs would strengthen their co-operation with Greece but would not take comparable action with Turkey, according to the Greek chief of staff, General Dovas. The Yugoslav military attaché, in telling this to General

Dovas, explained that the identical notes sent to Greece and Turkey earlier this month stating Belgrade's intention to terminate the intelligence exchange program on the USSR and the Satellites were written with Turkey primarily in mind. He said Yugoslavia wanted to continue its program with Greece.




the Yugoslav move regarding the exchange program could be part of an attempt to influence Greece toward Yugoslavia and its "neutralism." Greek public sentiment has received strong impetus in this direction following the disorders in Turkey. 

Comment

Should the Balkan alliance break up over Turkish-Greek differences, Yugoslavia would gain more by maintaining close relations with Greece than with Turkey.

Friendly ties with Yugoslavia are vital to Greek security.

**5. ICELANDIC OPINION RELATES PORKKALA TO NATO
BASE AT KEFLAVIK**

 In connection with the Soviet return of Porkkala to Finland, which has created a greater stir in Iceland than any other recent Soviet move, nationalist and left-wing elements are drawing an analogy between Porkkala and the US-manned NATO air base at Keflavik. According to the American legation in Reykjavik, even the Conservative and Progressive press fails to point to the fact that Iceland is a member of NATO and Keflavik a NATO base.

Comment Despite the economic advantages accruing from the Keflavik base, the presence of American troops in Iceland has never been popular among the Icelanders. Even Icelandic leaders favorable to NATO are reluctant for domestic political reasons to defend the presence of Americans.