

SECRET CONTROL

DISPATCH NO. *322 271*

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CLASSIFICATION

TO : CHIEF, IS

DATE: MAY 28 1953

FROM : *[Handwritten initials]*

SUBJECT: COMINT - Intelligence/Process
Negotiations for Sale of Greek Material to Egypt.

1. The following information was given orally to *[Handwritten initials]* on the subject matter of the latter obtained the information from an *[Handwritten initials]* informant, OCM 1000.
2. According to *[Handwritten initials]*, the American Embassy in Athens referred his proposal to Washington for selling Greek-made materiel to Egypt, and received the reply that the American government had no objections. In fact, though *[Handwritten initials]* did not say so directly, indicated that the American government favored the conclusion of his negotiations. However, *[Handwritten initials]* did not fully disclose the details of his deal and sought to prevent the American government's approval. Failing in this, the British sought to pressure Greek Foreign Minister *[Handwritten initials]* to prevent negotiations and failing in this, the British took the matter to Prime Minister *[Handwritten initials]*, where apparently the matter now rests.
3. *[Handwritten initials]* and *[Handwritten initials]* (who owns the Greek factory which would produce the arms for Egypt) seem to bring counter-pressure upon the Greek government. Subject states they are giving no hint that they have knowledge of British interference.
4. *[Handwritten initials]* declared he has conferred with Prime Minister *[Handwritten initials]* and related that through a *[Handwritten initials]* seven days to get a letter from Athens to Egypt, in which a letter *[Handwritten initials]* intelligence at the Egyptian Embassy in Athens, which was addressed to the Egyptian Security Department, etc. which he failed upon his arrival in Egypt. Subject explained that he had to be "security cleared" for his conference with *[Handwritten initials]*. However, as subject stated, he apparently takes seven days here to effect delivery of a letter once it is called in Egypt. Since he did not receive notification of his clearance during that time, he arranged his conference with *[Handwritten initials]* through other channels.
5. Subject could be received notification from the local Egyptian Embassy that an Egyptian delegation was en route in Athens on 22 May 1953 to establish a credit of 10,000,000 dollars with the Bank of Greece for the purchase of Greek materiel. *[Handwritten initials]* then pointed out that there are approximately 70,000 Greek materiel in Egypt, and that if a sympathetic view is taken by the Greek government concerning the Egyptian

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deleration's proposal to purchase small arms and ammunition, this would further insure the protection of Greek subjects in Egypt. This material, he said, was also probably on the open market elsewhere. GADARIS stated that a 10,000,000 dollar deal for Greece meant a glut of money and that if the negotiations are unsuccessful, the Americans would have to "pull out" accordingly. He added that, as he had predicted, Markaris was coming back from Washington empty handed and was told to apply for a 100,000,000 dollar loan from the International Bank.

6. GADARIS was asked by [redacted] if he thought KIPP was trying to include himself in the negotiations. [redacted] said that he had seen KIPP's picture in the Athens papers and was sure the translations of notices of his visit. GADARIS replied - "Who, no. KIPP talked with POCASSAKIS about building an arms factory in Egypt." Then GADARIS was asked if KIPP had conferred with any Egyptian officials. The answer was "Yes." GADARIS asked [redacted] directly, "Are you certain he didn't meet GEMARIS?" and the reply was "Positive." GEMARIS asked, "Did KIPP confer with the British Ambassador?" and GADARIS replied, "I don't know that."
7. [redacted] stated that the French firm Marin was building an arms factory and a jet plane factory in Egypt and under the terms of the contract will sell each plant for 1,000,000 pounds to the Egyptian government after twenty-five planes have been produced.
8. When [redacted] asked GADARIS why the British were interfering, the conversation was interrupted.
9. GADARIS then discussed the fact that the Greek government had received quantities of crumpled material from the United States under the GUMM program. One of the items involved 5,000 pieces which, according to GADARIS, "can't be sold in Greece for 50 cents apiece". He, however, said that he offered to pay five dollars apiece for the pieces with the object of selling them to Egypt with cotton as payment. He did not say whether or not he had a buyer for the Egyptian cotton. Later GADARIS said that he had just bought 2,000 tons of Egyptian cotton.
10. GADARIS then indicated that there were important international negotiations at present and that he predicted the British were presently seeking to negotiate a secret treaty between England, Germany and the Soviet Union. The British believe they can use the Soviets and vice-versa. He was asked, "Do you think the Germans will fall for it?", and he answered that he didn't, but whoever had Germany as an ally would win the next war.
11. England, he said, wants her own constellation of nations in Europe, independent of the United States and knows that America is going to stop all economic aid to Europe, because - even though the Americans found out the difficult way - she realizes that after all the aid she has

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given, the European nations should now be self-sustaining; these nations either do not have the will, or do not wish to get "on their feet", or they are negotiating secretly and independently of the United States. GDA. 1) said not to forget the "hundreds" of British ships which are supplying aid to the Chinese Communists. England does not want to lose this business.

12. Of course, if the U.S. continued, the United States will have to continue arms production and give military aid to her allies to stay strong. It is the only way to prevent a war; the Americans are caught in a dilemma, however, for if they should stop arms production, the result would be a disastrous depression.

C. Medstone/AGB

rao

26 May 1953

Distributions

1 - GAW
1 - [unclear]
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