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WASHINGTON

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Authority NLE 2012-47 # 17

By MMK NLDDE Date 3/3/14

STAFF NOTES NO. 367

May 13, 1958

1. Saudi Finances -- The IMF advisor to the Saudi Government believes that the still uncontrolled spending of the royal family and the military are preventing financial reform and that the regime may not survive because of its own excesses. Only Faisal fully appreciates the gravity of the situation, which is complicated by the difficulty of supervising an absolute monarch and by the lack of competent management personnel. (S) DZ

2. United Arab Republic -- (a) According to a UAR official, the Soviet-aided Egyptian nuclear research program should be fully underway in 12 months despite some serious problems, including shortage of trained personnel. He says that Soviet performance on the contract has been excellent. (Admin. Conf.)  
(b) The German Federal Republic will guarantee the UAR \$83.3 million in additional export credit for development projects during the next 4 years and will increase technical aid, under a recent agreement in which Egypt agreed to return confiscated German property. A joint commission will discuss the return of liquidated private German assets. (C)

3. UK Recession Forecast. -- Leading British industrial economists are pessimistic on UK economic prospects in 1958. They believe that a decline in exports and in the rate of inventory accumulation will significantly reduce demand and cause a rise in unemployment and a drop in production. But they consider the Government's economic policies correct because of the wage situation and the importance of maintaining confidence in sterling overseas. (Admin. Conf.)



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