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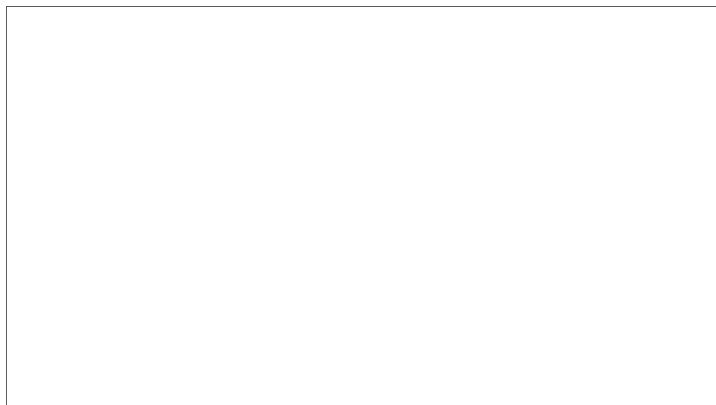
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**1. NASR REPORTED TO HAVE ORDERED A SLOWDOWN
ON CANAL CLEARANCE**

[redacted]
 [redacted] The Egyptian canal authorities were ordered by President Nasr on 22 January to slow down clearance of the canal, [redacted]

down reportedly is to be accomplished by administrative and technical delays. [redacted] The slow-

Comment There have as yet been no reports of any Egyptian attempt to carry out this order.

Nasr reportedly stated on 19 January he would halt clearance operations if Israel refused to withdraw from Gaza and the Gulf of Aqaba. Prime Minister Ben-Gurion reiterated on 23 January that Israel would not withdraw without guarantees.

[redacted] estimated in mid-January that the canal would be open to medium-draft ships of about 10,000 tons in late February or early March. A channel permitting ships of 35-foot draft was expected to be cleared in April.

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2. NEW SAUDI ARABIAN POLICY ON OIL CONCESSIONS UNDER CONSIDERATION

[redacted]
The Saudi Arabian government is considering adopting a new policy on development of its oil resources. [redacted]

[redacted]
additional concession areas would be opened up and that non-American interests would be involved.

[redacted]
Saudi Arabia had made a "huge mistake" originally to deal solely with the "big syndicates," because it had now "lost control of its crude output and was caught in an inflexible operation." The only lands which Saudi Arabia could offer for new concessions at present were too far inland and appeared to have too little potential yield to be operated without great expense.

[redacted]
[redacted] Saudi Arabia desired its own fleet of oil tankers, which could be built at the lowest cost in Japan. Tariqi believed that since Japan is a potentially important customer for oil, it might be interested in an agreement on petroleum development. [redacted]

Comment

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3. SAUDI ARABIA AND PAKISTAN EXPAND RELATIONS

Comment on:

The desire of both Saudi Arabia and Pakistan to expand their relations is reflected in King Saud's decision [redacted] to send a Saudi Arabian economic mission to Pakistan.

[redacted]
The purpose of the mission is to increase trade relations and investigate the availability of Pakistani technicians and teachers to come to Saudi Arabia, [redacted]

[redacted]
Pakistani engineers are already engaged in minerals exploration in Saudi Arabia, and that Jidda has been attempting to obtain Pakistani pilots and mechanics for the Saudi air force.

Pakistani prime minister Suhrawardy desires to win Saud away from close association with Egypt and Syria and eventually to get his approval of the Baghdad pact. Pakistani president Mirza visited Jidda in November 1956 and soothed Saud's annoyance over Pakistani press criticism of Saudi Arabia's warm welcome for Indian prime minister Nehru. Mirza also offered to supply Pakistani military advisers to Saud.

The king may believe that the presence of Pakistani technicians and teachers in Saudi Arabia would help balance Egyptian influence. [redacted]

4. PAKISTAN OBTAINS FAVORABLE KASHMIR VOTE IN SECURITY COUNCIL

Comment on:

[Redacted]

The 10-0 vote (USSR abstaining) on Kashmir which Pakistan obtained in the UN Security Council on 24 January will encourage both its government

and people and greatly lessen the possibility of serious popular demonstrations or outbreaks on 26 January. Prime Minister Suhrawardy can point to the speed with which the resolution was passed and the heavily favorable vote both on the plebiscite principle and on the invalidity of the actions of the Kashmir Constituent Assembly as evidences of Pakistani diplomatic success.

The next move is for the Security Council to take up Pakistan's proposals for a UN force in Kashmir, probably late next week. With council members heavily supporting Pakistan on 24 January and likely to do so again, the UN force issue may be headed for a Soviet veto. Such a veto would enable Suhrawardy to support his pro-Western foreign policy by contrasting the USSR's friendly words with its hostile actions toward Pakistan. Since India strongly opposed the UN resolution, a veto would also enable Suhrawardy to link India directly with the USSR.

With these four talking points at his command, Suhrawardy will be under less pressure than before to achieve a quick solution of the Kashmir problem.

[Redacted]

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**5. WAFDIST-MILITARY COUP AGAINST NASR
REPORTED PLANNED**

[redacted] Wafdist party politicians and Egyptian army officers are planning a coup against the Nasr government, [redacted]

The coup is to be activated on signal from military leaders between 27 January and 15 February. [redacted] the new government would sever relations with the Soviet bloc, appeal to the United States for help, and apply for Egyptian admission to NATO and the Baghdad pact.

The plotters are alleged to have a military organization capable of seizing control of Cairo, Alexandria and Asyut. Plans are being made to buy off police, and railroad workers are scheduled to sabotage rail lines. The Wafd organizations in the provinces are to seize local governments. [redacted]

Comment Reports of opposition elements plotting against the Nasr regime have sharply increased over the past month. These elements are not believed presently capable of effecting a successful coup against Nasr. Their capabilities have been further curtailed in the past two months by the purge of the army, and arrests and surveillance of potential civilian political leaders.

The Wafd was the dominant political party in Egypt under the pre-Nasr monarchy and was well organized down to the village level. Nasr banned all political parties, however, and the Wafd has been sharply repressed. The Wafd might, however, still furnish political direction in any attempted coup.

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6. NEW JET LIGHT BOMBERS POSSIBLY BEING INTRODUCED INTO SOVIET UNITS

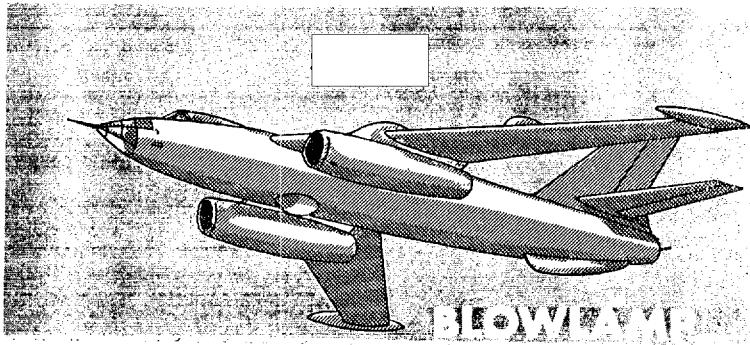
Comment on: [redacted]

On 14 January a flight of two unidentified high-performance aircraft was noted over the Caucasus and Baku air defense districts.

[redacted] characteristics of this flight suggest that these were jet light bombers being delivered to tactical air army units. The same characteristics were noted once before in the flight on 28 December 1956 of two high-performance aircraft to Stanislav, an IL-28 base in the Ukraine.

Both these flights demonstrated sustained speeds of 450 to 465 knots which are in excess of those normally associated with BEA-GLE (IL-28) jet light bombers.

The planes may be BLOW-LAMPS, four of which are



[redacted] among numerous BEAGLES at Isiam-Terek airfield on the Kerch Peninsula on 25 November 1956. The above flights and the earlier observation tend to confirm that new jet light bombers are being delivered to tactical air army units in the western USSR.

The BLOWLAMP is a new swept-wing, twin jet light bomber of exceptionally clean design which was first observed when a single prototype appeared in the eighth rehearsal for the Moscow air show on 14 June 1956. It was described by the USSR as being capable of supersonic flight.

[redacted] the aircraft is not capable of supersonic speed in level flight.

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7. LONG-TERM CAMPAIGN OF TERROR SEEN IN HUNGARY

[redacted] Hungarian premier Kadar is merely a figurehead fronting for the director of the current wave of terror, security chief Ferenc Muennich.

[redacted] of terror, [redacted] The campaign will be long term, despite some popular belief to the contrary, and may eventually lead to general public apathy and a psychological letdown that will last for years.

There is considerable talk in Budapest of a general strike on 15 March--a national holiday. The strike could lead to armed rebellion.

[redacted] a rise in the flow of Hungarian refugees into Austria and Yugoslavia is expected when the weather improves, and notes that border security forces are poor in quality and that travel toward the frontier is still possible.

Comment Premier Kadar may exercise little control over other top regime figures--such as Muennich--who may be receiving orders directly from Soviet officials.

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8. INDIAN CONGRESS PARTY IN ELECTION DIFFICULTIES

Comment on:

Prime Minister Nehru's Congress Party has apparently overestimated its organizational capabilities, has fallen behind its tight election schedule, and seems certain to be only about half prepared for the beginning of the three-week national polling period on 24 February.

Except in the troubled states of West Bengal, Orissa and Kerala, the Congress Party planned a short campaign of about two months' duration. Personal rivalries within the party, however, seriously hampered the choice of candidates. With only a month left for campaigning, Congress has not yet completed its slate, and has been forced to obtain a 10-day postponement of the last day for filing nominations.

Official minutes of executive committee meetings in mid-November show that party district organizations were still not in close contact with the people, and the party presumably will reach fewer voters than it originally intended. The momentum of past party achievements will therefore probably play a large part in carrying the Congress Party through the elections, which are being fought by an increasingly united opposition.

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