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CONTENTS

1. EGYPT WILL REJECT WESTERN PROPOSALS ON SUEZ

25X1A

25X1A

2. THE SITUATION IN JORDAN

3. ISRAELIS SEND VESSEL THROUGH STRAITS OF TIRAN

25X1

6. CZECH CONTRACT TO BUILD OIL REFINERY IN SYRIA

25X1

8. SITUATION IN INDONESIA

25X1A

25X1

25X1A

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1. EGYPT WILL REJECT WESTERN PROPOSALS ON SUEZ

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Egypt intends to release shortly a communiqué on its position regarding a Suez settlement, according to the American embassy in Cairo. The draft communiqué shown Ambassador Hare by Foreign Minister Fawzi states that (1) Egypt continues to respect the spirit and letter of the 1888 Convention (2) toll rates will remain as established by the last agreement between Egypt and the nationalized Suez Canal company (3) compensation and claims resulting from nationalization would be settled either by direct agreement or arbitration (4) canal tolls are to be paid in advance to the Suez Canal authority and (5) a special fund will be created for improvement of the canal.

Fawzi stated the communiqué was not an answer to the recent Western four-power proposals to place one half of the tolls in escrow pending a settlement, since "it would be improper to recognize any group of countries to speak for the users as a whole," and they "constituted pressure on Egypt which could not be accepted."

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Comment

The communiqué as drafted puts the Egyptian position on a Suez settlement back to that adopted last July when Nasr nationalized the canal company. It ignores proposals made for a settlement since that time. It also ignores the "six principles" agreed on last October. The communiqué again makes clear that Egypt intends to remain the sole operator and administrator of the canal and believes its legal and diplomatic position is strong.

2. THE SITUATION IN JORDAN

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Jordan's three-day demonstrations by armed mobs following formal termination of the Anglo-Jordanian treaty on 13 March illustrate the force which could be directed against King Hussain if he should attempt to implement his reported demands that Prime Minister Nabulsi dismiss the four principal left-wing members of the cabinet. National Socialist, Baath, and Communist groups participating in the demonstrations were well armed, and Jordan's police, one of Hussain's main sources of support, were ineffective in controlling the demonstrators. The anti-Western and anti-American temper of large elements of the crowds was particularly evident.

Events showed clearly that with the passing of British power in Jordan, the United States has become the chief target of Egyptian- and Soviet-inspired extremists. The left-wing parties which dominate the cabinet, together with other nationalist groups, are apparently prepared to prevent Jordanian acceptance of the American proposals on the Middle East and to frustrate the Richards mission--tentatively scheduled to arrive in Jordan about 22 April. Nabulsi and Minister of State for Foreign Affairs Rimawi have publicly rejected the proposals by name, and the Jordanian Communist Party (JCP) reportedly plans to organize a general strike and demonstrations upon arrival of the Richards mission.

Coincidentally with this display of the anti-Western temper of the "street" in support of the Nabulsi government, the illegal JCP has openly flaunted its contempt for Hussain's personal efforts during February to curb it. The JCP for the first time paraded under its own banners during the recent demonstrations, and despite Hussain's personal order to confiscate all Communist publications and to ban their import, two Amman bookstores on 8 March had an assortment of Soviet magazines on public display.

Britain, which is now planning to move its 1,300 remaining troops out of Jordan in the next few months, appears anxious to discuss Jordan's future at the Bermuda conference.

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3. ISRAELIS SEND VESSEL THROUGH STRAITS OF TIRAN

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[Redacted]

Israel's action in sending a small Israeli-flag merchant vessel, the Malkat Sheva, from Eilat through the Straits of Tiran on 18 March will not be accepted by Egypt as a precedent for free and innocent passage of the Gulf of Aqaba. Cairo will probably use the vessel's passage as an additional argument for the removal of the UNEF unit from Sharm al-Shaikh, although Israel's supporters in the UN could argue that the presence of Israeli-protected shipping in the straits points up the need that the UNEF remain in order to keep the Egyptian and Israeli forces separated.

In sending the Malkat Sheva through without ostentatious air or naval escort, the Israelis appear to have followed advice which both the British and French Foreign Ministries stated they had given. At least two other ships, not under the Israeli flag but under Israeli charter, are expected to pass the straits soon. [Redacted]

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6. CZECH CONTRACT TO BUILD OIL REFINERY IN SYRIA

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Czechoslovakia's success in winning a contract on 17 March to construct an oil refinery at Homs in Syria resulted largely from pressure by leftist elements to accept the favorable terms offered by Prague. Announcement of the contract appears timed to show Syrian hostility to the Richards mission.

The Czech bid of about \$15,000,000 with repayment over a 10-year period at 3.5 percent interest was not substantially lower than the closest Western bid. Syrian president Quwatli said, however, that the Czech refinery offer had five advantages--low price, low interest rate, payment in Syrian goods, "guarantees" of quality equal to that attained by Western processes, and postponement of payments on arms indebtedness.

The refinery, presumably a thermal unit with a capacity of about 27,000 barrels a day, or 1,000,000 tons annually, will require the presence of bloc technicians in Syria for three or four years. The output of this plant will be considerably in excess of Syria's petroleum needs, a little over 600,000 tons in 1956, and Damascus may have considerable difficulty in finding customers for the plant's surplus.

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8. SITUATION IN INDONESIA

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Cabinet formateur Suwirjo has announced that the parties to be included in the new Indonesian government have been determined. He indicated, however, that the question of who was to fill the various positions was still under discussion.

The government that Suwirjo will present to parliament will undoubtedly be much the same as that of Ali Sastroamidjojo which it is replacing. Its nucleus of the National Party and the Nahdlatul Ulama will be supported by five or more small parties. Both the Communists and the anti-Communist Masjumi reportedly will be excluded. A likely choice for the post of prime minister is Subandrio, a neutralist and a former ambassador to the Soviet Union. Now secretary general of the Foreign Ministry, he apparently has grown in Sukarno's favor in the past few months.

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