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6 November 1955

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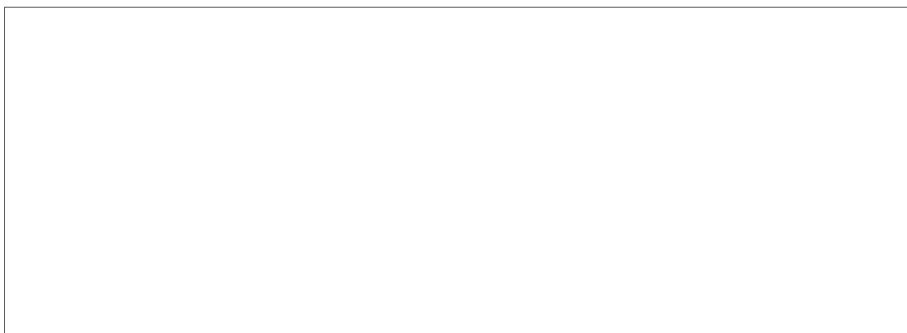
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 37
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 18 JAN 1980 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

~~TOP SECRET~~



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1. CHINESE COMMUNISTS MAY BID FOR LEBANESE RECOGNITION

[Redacted]

The question of Lebanese diplomatic recognition of the Peiping regime will probably be raised in conjunction with a Chinese Communist bid for closer Sino-Lebanese trade relations. A statement to this effect was made to the press by a spokesman of the Chinese Communist trade delegation which arrived in Beirut on 3 November.

The Chinese Nationalist minister in Beirut believes that a commercial accord between Lebanon and Communist China is likely, but that there is little chance Beirut will grant Peiping diplomatic recognition. The American ambassador in Beirut comments that while a trade treaty would have little economic significance, it would be a step toward eventual recognition.

Comment

Sino-Lebanese trade has been negligible, and Chinese Communist efforts in Lebanon, as in Syria, are almost purely political. Whether Beirut grants Peiping diplomatic recognition will probably depend on the course taken by Egypt and Syria.

Peiping's program of winning Arab friendship through establishment of trade ties appears to be meeting success with the conclusion of a pact with Egypt and apparently successful negotiations with Syria. (Concurred in by ORR)

2. [REDACTED] IMPLEMENTATION OF GENEVA
AGREEMENT ON INDOCHINA



[REDACTED] the entire Geneva agreement on Indochina is in danger of being wrecked because of Diem's refusal, with the "open support of the United States," to enter into consultations with the Viet Minh. [REDACTED] the two chairmen to take the necessary steps so that a consultative conference on general elections will be held immediately by the authorities of the two zones of Vietnam.



Comment

Although the final date specified in the Geneva declaration for the opening of consultations on elections, 20 July 1955, passed with the Communists restricting their reaction to the propaganda field, they continue to insist that there must be no deviation from the Geneva terms.

[REDACTED]
Peiping is obviously trying to win Burma's support for its position.

THE ARAB-ISRAELI SITUATION
(Information as of 1700 6 November)

Small-scale raids and local exchanges of fire are keeping the situation tense on the Egyptian-Israeli frontier. Several minor incidents have also been reported on the Israeli-Jordanian border. (Press)

Israeli spokesmen, in discussing the Israeli attack of 2 November in the El Auja area, have insisted to American officials that there was no counter-attack as Cairo has claimed, and that the Egyptian position at Sabha was reoccupied only after Israeli troops had withdrawn. Impressions of American newsmen returning from the area tend to support the Israeli version. An Israeli military spokesman has told American officials that the Israelis would welcome an attempt at retaliation because they would then have an opportunity to "clobber" the Egyptian army.

[redacted] anticipates a resumption of Egyptian terrorist activity, but apparently expects no major military action. The Israeli Defense Force has released 85 percent of the civilian buses and a number of other vehicles it had mobilized before the El Auja attack.

A number of minor incidents and exchanges of fire have been reported on the Israeli-Jordanian border. Israel has charged that Jordanian infiltrators attempted to blow up two houses on the Israeli side of the border on 5 November. Jordan has alleged that an Israeli patrol penetrated its territory on 6 November, but was driven back by Arab Legion forces. (Press)

Syria continues to maintain its alert on the Israeli frontier, but no activity has been reported here since a brief exchange of fire on 4 November. The Syrian chief of staff has assured the American army attaché in Damascus that he has not issued any mobilization orders.

A UN plan which has been delivered to Egypt and Israel calls for Egyptian military evacuation of the El Auja demilitarized zone, for limitation of Israeli personnel in the zone to civilians and 30 policemen, and for a permanent demarcation of the border in that area. In Washington, the Egyptian and Israeli ambassadors responded on 5 November to an American demarche supporting the UN peace plan by expressing their countries' willingness to consider the proposals, though each ambassador blamed the other's country for the continued tension.

Israel's intention to conduct this week the first production test of an oil well at Heletz in Israeli territory near the northern tip of the Egyptian-occupied Gaza strip may lead to new border incidents. The newly discovered oil-bearing formation being tapped by the Israelis is believed to extend into the Gaza strip,

[redacted] has already warned frontier forces that the oil discovery may result in Israeli action against the Gaza strip.

France will probably soon recommence arms shipments to Egypt, and is prepared to furnish military equipment to Syria, French spokesmen told Ambassador Dillon in Paris on 4 November. The French plan to balance this action by authorizing the delivery of Mystere jet fighters to Israel. [redacted] the Israelis approve of the French decision to start arms deliveries to Egypt as they consider it preferable to have Western powers rather than the USSR furnish arms to the Egyptians.

[redacted]
Egyptian premier Nasr told the Iraqi foreign minister that he would like to have France resume arms deliveries to Egypt and that he would prefer to have Egypt obtain its supplies from the West rather than from the East.

According to the Jordanian Defense Ministry, Britain plans to deliver about 15 November the 10 jets it has agreed to send to Jordan.

Cairo,

[redacted] agreed to increase to 90 the total number of Soviet bloc aircraft experts coming to Egypt. As of 26 October, 42 Soviet bloc experts had already arrived to help assemble the jet aircraft which had begun to arrive in Alexandria by ship four days earlier. [redacted]

On 29 October, however, Premier Nasr turned down a Soviet offer of a \$600,000,000 loan for the construction of the proposed high dam at Aswan.

Nasr allegedly rejected the offer because it was conditioned on Egypt's making full use of Russian experts and technicians. Earlier, Egyptian officials had said the USSR had given the impression it was not interested in sending technicians and other personnel to Egypt unless requested. [redacted]

[redacted] the 24 Soviet technicians at the Dikheila air base supervising the handling and assembly of aircraft are being rigidly restricted to the airfield. [redacted]

A Soviet-Israeli trade agreement was concluded in Moscow on 3 November calling for the exchange next year of citrus fruits for crude and fuel oil. The agreement provides for trade to continue at about the same level as called for in arrangements for the current year.