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1. LONDON PREPARING UNILATERAL RELAXATION OF CHINA TRADE CONTROLS

If Britain and the United States cannot agree by early 1956 on bringing controls on strategic trade with Communist China into line with those on trade with the rest of the Sino-Soviet bloc, London will inform the China Committee (CHINCOM) that it believes the present level of control is no longer justified. The British intend beginning 15 January to start a "gradual and unobtrusive process" of bringing their control lists for China into conformity with the COCOM lists.

In a letter to the Department of State setting forth this position, the Foreign Office said the British government's position in defending the present scope of the China embargo was becoming "untenable." It added that the entire system of trade controls is being undermined by the maintenance of controls which "can no longer be logically defended on strategic grounds."

Comment Since members of CHINCOM would for the most part not enforce more stringent controls than those enforced by any one of them, the contemplated British action would terminate the special embargo which was applied to China after it entered the Korean war.
(Concurred in by ORR)

2. INDIA TO ESTABLISH DIPLOMATIC RELATIONS WITH OUTER MONGOLIA

The establishment of diplomatic relations between India and Outer Mongolia will be announced soon, according to an official of the Indian Ministry of External

Affairs. He said that the new Indian ambassador to Peiping will also be accredited to Ulan Bator. The Indian official added that Outer Mongolia was recognized as a sovereign state in 1946 in a treaty between the Soviet Union and Chiang Kai-shek.

Comment No non-Orbit country has diplomatic relations with Outer Mongolia. Indian recognition might establish a precedent for Southeast Asian neutral countries.

India's decision to establish diplomatic relations with Outer Mongolia was apparently taken by early September. Outer Mongolia was not invited to the Afro-Asian conference last April because the Colombo powers--India, Pakistan, Burma, Indonesia and Ceylon--did not consider it independent.

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 5 December)

No significant military activity has been reported.

Israeli prime minister Ben-Gurion conferred with UN truce chief Burns on 5 December. Burns said earlier he expected to receive in this interview the Israeli position respecting the UN proposals for the El Auja demilitarized zone, after which he would go to Cairo to ascertain the Egyptian position. There has been no indication that either party has modified its stand enough to bring agreement.

There has as yet been no public announcement of the Egyptian-Israeli cease-fire which Colonel Banks, British member of Parliament, claims to have arranged.

there is no evidence that Soviet bloc naval equipment has been delivered to Egypt. reports that Egypt is making preparations for the arrival of submarines, that a submarine warfare course is being conducted at the Egyptian naval officer college, that additional Egyptians are being trained in the USSR, and that a small base for submarines is being built near Alexandria.