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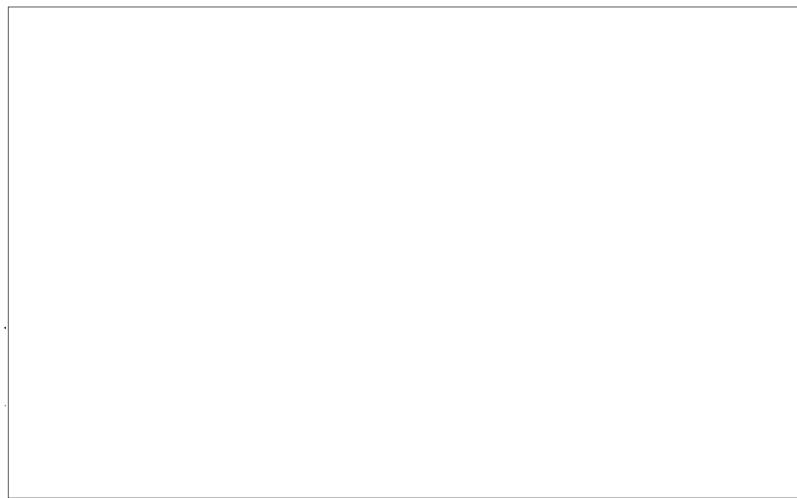
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1. SOVIET STATEMENT ON THE SUEZ CRISIS

The Soviet statement of 15 September on the Suez crisis appears to have been designed to lay the groundwork for any discussion of the issue in the UN Security Council. The statement charges that British and French military preparations "grossly contradict" United Nations principles and asserts that the UN "cannot but react" to the threats of force made against Egypt by some UN members.

The statement hints that British and French military action against Egypt would have a damaging effect on American economic contacts "with the countries of the East," and condemns the United States for not protesting the British and French threat of force. It states that the USSR, "as a great power," cannot stand idly by, since violation of peace in the Middle East "cannot but affect the interests of the security of the Soviet state."

The Soviet leaders probably calculate that a prolonged UN debate would at least temporarily deter British and French military action and gain time for Egypt. Moscow also probably believes it would inhibit the West from applying further economic sanctions against Egypt. The statement argued that under the UN charter any decision to use force or economic sanctions must be determined, not by a "given country or a group of countries guided by their own narrow calculations," but by the UN Security Council alone.

The statement summarizes most of Moscow's past arguments in support of Egypt. It claims "wide international circles" have condemned the three-power plan

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for a users' association as a "dangerous provocation" leading to "artificial" incidents which could serve as a pretext for military action.

The statement announces Moscow's readiness to participate in an Egyptian-sponsored conference of the signatories of the 1888 Convention and others vitally interested in the canal. The USSR would undoubtedly insist that such a conference would be the only body other than the UN legally competent to deal with the problem. [redacted]

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2. HAMMARSKJOLD FEELS SECURITY COUNCIL SHOULD NOT DISCUSS SUEZ AT THIS TIME

The Cuban president of the UN Security Council told Ambassador Lodge on 14 September that Secretary General Hammarskjold agreed with him that this was not the time for a Security Council meeting on the Suez crisis.

The Security Council president also believes that the users' association should not start operating until as many countries as possible join it, thus adding more weight to any Western initiative in the Security Council should Egypt halt canal transit.

Comment Hammarskjold earlier had said he felt legally obliged by the UN charter to call a Security Council meeting on the Suez crisis if negotiations broke down and the parties themselves did not appeal to the UN.

Britain, France and the United States are planning to submit proposals for the establishment of the users' association to an 18-nation conference meeting on 19 September.

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3. BRITISH LABOR PARTY LEADER'S VIEWS ON SUEZ

Labor Party leader Hugh Gaitskell has informed the American embassy in London he is greatly relieved over the outcome of the parliamentary debate on

Britain's Suez policy. He said he considers the canal users' association plan an excellent one, and indicated he favors relying primarily on economic pressure to "bring Nasr to his senses."

Gaitskell said Conservative cabinet ministers Butler and Monckton had headed a group of influential Conservative members in resisting what Gaitskell called "Eden's error of giving the impression" that Britain wants to provoke Nasr. Gaitskell said he believes Eden "has really begun to climb down," and laughingly remarked "once again the Dulles-Gaitskell axis saved the day."

Comment All reports indicate a widespread public sense of relief and a relaxation of tension in Britain following Eden's commitment to take the matter to the UN before using forceful action against Egypt.

Gaitskell's remark about the activity of Butler and Monckton before and during the special session of Parliament suggests there is some substance to earlier reports of a serious division of opinion in the cabinet over policy toward the Suez situation.

4. STATUS OF BRITISH AND FRENCH EVACUATION FROM MIDDLE EAST

Despite evacuation of some British and French nationals from the Middle East, substantial numbers remain. Neither London nor Paris has activated emergency plans in the area.

Both governments continue to encourage the departure of their nationals in Egypt, but some 1,800 British and 10,000 French remain. On the advice of the British embassy, a considerable proportion of the British community has already left Jordan, including embassy dependents. French officials at Amman, however, have apparently not yet received authority to encourage a similar movement of their nationals.

The French are evacuating embassy dependents and reducing the embassy staff in Syria, to four persons. Britain, on the other hand, has countermaned plans for advising the departure of British nationals. Both governments regard Lebanon as a potential safe haven.

The British cabinet has apparently decided not to implement emergency evacuation plans for Egypt, Jordan and Syria at present. British officials in Iraq have drawn up tentative plans for evacuation of the approximately 4,000 British nationals there. [redacted]

5. BULGANIN'S LETTER TO PRESIDENT EISENHOWER

[Redacted]

Premier Bulganin's letter of 11 September to President Eisenhower followed the pattern of his previous letter of 6 June in emphasizing the need for "concrete steps" for reducing armaments as a means of breaking the deadlock in disarmament negotiations. In addition to this renewed attempt to focus world attention on the USSR's announced intention to reduce its armed forces by 1,200,000 before May 1957, Bulganin placed special emphasis on the Soviet proposal of last July for a cessation of nuclear weapons tests independent of any other disarmament measures.

The Soviet premier contended that no international control agreement would be needed to enforce a test ban because the "present state of science and engineering" would make it possible to reveal a nuclear explosion anywhere in the world. It seems likely that this letter was timed to offset any adverse effects on world opinion produced by the recent series of Soviet nuclear tests.

The USSR's reluctance to be drawn into detailed negotiations on the question of international inspection and control was reflected in Bulganin's renewed criticism of the aerial inspection plan. He also rejected President Eisenhower's proposal of 1 March to establish safeguards to ensure that "future production of fissionable materials anywhere in the world would no longer be used to increase the stockpiles of explosive weapons." He said that a ban on the production of nuclear weapons without a prohibition of their use and possession would "amount to the legalization" of these weapons.

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6. USSR DEMANDS EXPLANATION FOR EXCLUSION FROM TANGIER CONFERENCE

[Redacted]

The Soviet Union, in a note to the Moroccan government, demanded to know why it has not been invited to participate in the Tangier conference

to begin on 8 October to revise the zone's status, the Moroccan foreign minister told the American chargé at Rabat on 14 September. The USSR indicated it had not relinquished its rights as a signatory power to the Tangier convention. In a second note, Moscow also inquired again about opening diplomatic relations with the Moroccan government.

Comment Moroccan officials, who are generally pro-Western and desirous of extensive American aid for economic development, oppose ties with Moscow or any growth of Communist influence. They have co-operated with the eight Western powers governing Tangier in an effort to arrange a conference to revise the zone's status without having Soviet representation at the discussions, despite the USSR's legal claim to participation.

7. USSR PROPOSES CUTS IN CHINESE ECONOMIC PLANS

Comment on:

[Redacted] At a high-level Sino-Soviet economic conference in Moscow during August, the USSR proposed cuts ranging up to 50 percent in the 1957 economic plans of various Chinese Communist industries for capital investment in new plants and imports of necessary equipment.

[Redacted] such proposals were also made for the next Chinese five-year plan.

China's economic plans rely on capital equipment from the Soviet bloc. The Chinese presented ambitious plans, probably expecting a modest curtailment. The hard bargaining [Redacted] has been common in Sino-Soviet economic negotiations.

Under the Soviet proposals, the Chinese 1957 investment plans for the defense industry and electric power industry would be cut by a half, for the machine building industry by almost half, and for the metallurgical industry by a third. For the railroads, and petroleum and coal industries, the Soviet proposals called for a lower level of capital investment in 1957 than in 1956.

[Redacted] these proposed cuts caused much "contention" in Peiping, and that the Chinese government reaction would depend heavily on the anticipated total income for the Chinese government in 1957. [Redacted] the recent typhoons would cut the 1957 income "by several billion." The government receives much of its income from agriculture, which has suffered severely from bad weather, including typhoons, this year.

It would appear from this evidence that the Second Five-Year Plan, to be presented at the 8th Party Congress in Peiping which began on 15 September, will probably call for a more moderate economic expansion than previous ministerial announcements have indicated.

THE ARAB-ISRAELI SITUATION (Information as of 1700, 16 September)

[redacted]
[redacted] ve-
hicles had been observed traveling south to the area near Eilat,
the Israeli port at the head of the Gulf of Aqaba.

The American embassy in Amman believes that if another large-scale operation by Israel against Jordan occurs in the next few days, Jordan will probably be forced to retaliate on a substantial scale. The Jordanian foreign minister says Jordanian public opinion is "near the breaking point" and urges that the strongest possible steps be taken by the United States to restrain Israel. The embassy adds that King Hussain's hurried visit to Baghdad on 14 September probably was to request that some elements of the Iraqi army be sent immediately to Jordan. The US army attaché in Amman reports the Israel-Jordan situation is "critical" and that while King Hussain is making a sincere effort to restrain the army and the people, he is having a difficult time controlling them.

The American army attaché in Tel Aviv describes the situation as "grave." He says there are no present indications of call-ups in Israel but only a few leaves are being granted to Israeli military personnel, contrary to usual practice during the Jewish holidays. He noted again that there were heavy Israeli military concentrations in the Beersheba area. He reported a very heavy movement of Israeli forces from the central command to the Negev on the night of 11 September.

Iraqi prime minister Nuri Said told King Hussain of Jordan on 14 September that Iraqi help alone against Israel "could not do much," according to the American embassy in Baghdad. Nuri said, however, that an agreement was made

with Jordan to work out a joint Iraqi-British-Jordanian plan of action for use in the event of large-scale Israeli aggression. In answer to the king's proposal that the Jordanian army be expanded, Nuri told Hussain, Iraq was in no position to help with heavy arms and that effective arms and economic aid could come only from the United States.

Subsequently a government spokesman in Baghdad told the press Nuri had assured Hussain that Iraq "is ready for military action at any time!" According to press reports from Amman, Nasr has informed Hussain that Egypt would come to Jordan's aid notwithstanding its preoccupation with the Suez crisis. In Damascus, Syrian premier Asali told the press on 15 September that Syria, Egypt and Jordan have decided to act jointly against any further Israeli aggressions against Jordan. (Press)

Egypt is building a new airfield at Bilbeis, about 40 miles northeast of Cairo, according to the American air attaché in Cairo. He said this and construction activity at two other points indicate a major effort to improve the Cairo airfield complex.