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CD/ED

16 August 1956

Copy No. 105

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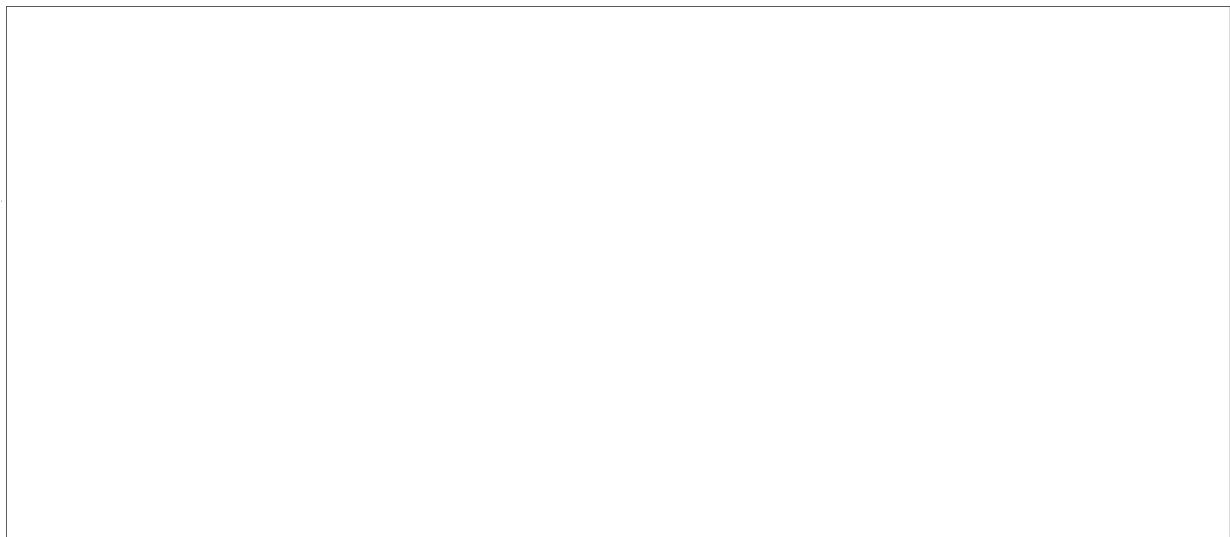
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# CURRENT INTELLIGENCE BULLETIN

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DOCUMENT NO. \_\_\_\_\_  
NO CHANGE IN CLASS.  DECLASSIFIED  
 CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2009  
AUTH: HR 70-2  
DATE: 20 Dec 79 REVIEWER: \_\_\_\_\_

**OFFICE OF CURRENT INTELLIGENCE**  
CENTRAL INTELLIGENCE AGENCY

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## 1. EGYPT SEEKING COMPROMISE ON SUEZ CANAL ISSUE

[redacted] emphasized the desire to find some basis for compromise on the Suez Canal issue.

[redacted] Sabri expressed the opinion that since Egypt made a conciliatory gesture in Nasr's "moderate" press conference on 12 August, it was now up to Britain to make a similar move.

[redacted]  
Sabri said that with adequate assurances from Britain that it would consider something short of full international control, Egypt would be willing to consider an international treaty, to be registered with the United Nations, guaranteeing freedom of transit of the canal and with full provisions for sanctions in cases of violations. He expressed a belief that Egypt could reach an agreement with Britain and other users of the canal regarding an international convention regulating canal tolls, and indicated willingness to discuss an international advisory board with full rights of inspection.

### Comment

This is the firmest indication to date that Nasr is interested in finding a compromise solution to the Suez Canal problem. It is probable that Ali Sabri intended his remarks to reach the American government.

**2. FRENCH FOREIGN MINISTRY SEES MILITARY ADVANTAGE  
IN DRAGGING OUT SUEZ CONFERENCE**

[Redacted]

Secretary General Louis Joxe of the French Foreign Ministry believes the conference in London concerning Suez will be difficult and might be prolonged over several weeks. He told Ambassador Dillon on 13 August that this might be advantageous, particularly in that more time would be available for military preparations.

Dillon says Joxe was "embarrassed" by the influential Paris newspaper Le Monde's strong opposition to military action against Egypt. On the other hand, Joxe stated that there had been "much too much" talk of military action in both Britain and France.

**Comment**

Although the Le Monde article and other French editorial comments indicate a growing opinion that military action is now more remote and difficult, the French government still believes that some strong action must be taken against Egypt. Therefore, France will probably continue its military preparations as part of its effort to bring pressure on Nasr to abandon his opposition to any form of international control.

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### 3. WEST GERMANS SUPPORT INTERNATIONAL SOLUTION OF SUEZ PROBLEM

Comment on:

It appears that West Germany will adopt a generally pro-Western position at the London conference on Suez, but will not endorse retaliation against Egypt. West German state secretary Hallstein told American representatives on 14 August that Foreign Minister Bretano would have discretionary authority at the conference to determine

German policy within the following framework: (1) maintenance of Western solidarity; (2) uninterrupted German ship traffic through the canal; (3) affirmation of the international character of the canal as set forth in the 1888 convention, with freedom of passage supervised or guaranteed by some international agency.

Bonn officials have expressed the opinion that while Nasr is a Hitler type of dictator who must be stopped at some point, it is nevertheless necessary to avoid military action. They foresee no difficulty in getting agreement on the principle of international control, but consider that in administering the canal a compromise would probably be necessary.

American representatives comment that Bonn's hesitation in giving full support to the three-power position arises from fear that Arab states may recognize East Germany and that West German economic interests in the Middle East may suffer.

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#### 4. DEVELOPING BACKLOG OF SHIPPING AT PORT SAID

A backlog of vessels is now accumulating at Port Said, the northern entry to the Suez Canal, apparently as a result of a rush on the part of shippers to get through the canal before 16 August. There seems to be some feeling in shipping circles that as a result of action springing out of the London conference the canal may be closed. The situation is further aggravated by the fact that several pilots--of

which there is normally a shortage--are on vacation.

Nasr's intention is to keep the canal operating at peak efficiency in order to establish Egypt's ability to run the canal. Unless large numbers of pilots resign, Nasr will probably be able to maintain an average flow of traffic. France is reported to be considering withdrawal of canal company technicians, most of whom have signed statements of allegiance to the company.

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## 5. CAMBODIAN POLITICAL SITUATION

Prince Sihanouk, who is returning to Cambodia from Europe on 20 August, will have to deal with serious political difficulties. His followers, in and out of the National Assembly, are increasingly torn by factional dissension.

In insisting on dominating political affairs while refusing to take the premiership himself, Sihanouk is alienating the experienced and capable leaders needed to assume government portfolios. According to a Cambodian official highly regarded by the American embassy, it is difficult to foresee any government of strength and ability in the near future. For the present, ex-premier Khim Tit continues in a caretaker role. He has embarked on an anti-American campaign, apparently in an attempt to deflect the charges of corruption that led to his resignation.

Meanwhile, responsible elements fear that Sihanouk has been thoroughly blinded by the Communists and fully accepts their assurances of good intent. The mass of Cambodians undoubtedly are greatly impressed with his well-publicized "triumphs" in the Communist capitals, and Sihanouk will remain to them a symbol of their country's emergence as an independent nation.

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## 6. INDONESIAN-SOVIET ECONOMIC RELATIONS

[Redacted]

Indonesian-Soviet talks on the USSR's offer of economic and technical aid are now taking place in Djakarta, and the chief Indonesian negotiator believes

[Redacted] an agreement may be signed in a few days. He said the Indonesians are letting the Russians take the initiative, and that so far the only clue to Soviet thinking is mention of the steel mill which the USSR is building for India. The Indonesian Foreign Ministry has stated previously that it would prefer not to sign the assistance agreement until after President Sukarno completes his trip to the Soviet Union scheduled for late August and early September.

Meanwhile, Indonesia's first trade agreement with the Soviet Union was signed on 12 August. It provides for cash payments and does not establish any value figure for total trade. Indonesian products listed in the trade agreement include rubber, copra, and sugar. The Soviet list includes machinery, chemical products, and medicines.

Indonesia's trade with the Sino-Soviet bloc amounted to five percent of its total trade in 1955. The American ambassador in Djakarta expects that the volume of trade between the two countries will continue to be comparatively small.

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## THE ARAB-ISRAELI SITUATION (Information as of 1700, 15 August)

Iraq is continuing on a reduced scale to concentrate forces at the H-3 pumping station near the Jordanian and Syrian borders, according to the American army attaché in Baghdad. The movement of these forces started in early July and the attaché believes the original intent was to comply with agreements between Jordan and Iraq which were made in fear of aggressive action by Israel. The attaché reports widespread rumors within the Iraqi army, however, that the Iraqi troop concentration is directed against Syria. The forces now include service units, two infantry battalions, two companies of engineers and one antiaircraft battery.

The American consul in Jordan-Jerusalem reports the extensive call-up of Jordanian National Guardsmen owing to continued but unconfirmed reports of Israeli troop mobilization. Jordan is also making frequent checks on roads in the area west of the Jordan River.

Menahim Beigin, the leader of Israel's second largest political party, said at a rally on 13 August that "Israel's very existence is in the balance in the current Suez Canal dispute" and that if Nasr is not stopped by the West, his next move will be to liquidate Israel. The party leader said that Israel should announce its readiness to join Western powers in "delivering a blow to the Egyptian enemy." (Press)

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