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## CONTENTS

1. **OPPOSITION STRENGTH WORRIES GOMULKA REGIME** [redacted] (page 3).
  2. **SHOWDOWN IN ALGERIA MAY BE NEAR** [redacted] (page 5).
  3. **ISRAELI PRIME MINISTER ADAMANT ON GULF OF AQABA AND GAZA ISSUES** [redacted] (page 6).
  4. **USSR PROMISES TO CONSIDER FURTHER AID TO EGYPT** [redacted] (page 7).
  5. **YUGOSLAVS OFFER SUPPORT TO YEMEN** [redacted] (page 9).
  6. **JAPANESE MAY ENGAGE IN SAUDI ARABIAN OIL DEVELOPMENT** [redacted] (page 10).
  7. **THE NEW BRITISH PRIME MINISTER** [redacted] (page 11).
- ANNEX--** Conclusions of the Watch Report of the Intelligence Advisory Committee [redacted] (page 12).

~~TOP SECRET~~ [redacted]

## 1. OPPOSITION STRENGTH WORRIES GOMULKA REGIME

The Gomulka regime is [redacted]

[redacted] disconcerted by the extent to which the pro-Soviet "Natolin" elements within the Polish United Workers' (Communist) Party (PZPR) have succeeded in fomenting opposition during the campaign for the parliamentary elections of 20 January.

Natolin elements have taken advantage of the chauvinist feelings of the population to stimulate antiminority, particularly anti-Semitic, sentiment. The increasing frequency and severity of incidents have placed the regime at a political disadvantage by forcing it to defend the minorities. A whispering campaign is also being conducted to defame regime leaders by charging them with Nazi collaboration or Stalinist associations.

The movement to urge voters to scratch from the single electoral list the names of regime leaders, PZPR candidates and prominent figures in favor of local candidates has gained momentum. Voters are also being encouraged to believe that since the election results will be rigged anyway they might as well abstain.

As a result of these tactics, party leaders are reportedly now afraid that a number of central committee members will not be elected and that in many regions party members will be defeated by nonparty candidates. [redacted]

Comment

The regime press has charged the opposition with attempting to sabotage the elections, and politburo member Morawski complained publicly

on 2 January that those "negativists" within the party who oppose Poland's independent road to socialism "do not shrink from unworthy methods of struggle in order to maintain their position."

The press has also charged, in a thinly veiled reference to Poland's Communist neighbors, that "all those abroad" who are hostile to changes in Poland would not fail to take advantage of opportunities to "blacken Poland as an unenlightened backward country not deserving independence!"

## 2. SHOWDOWN IN ALGERIA MAY BE NEAR

[redacted] a major showdown among the rebels, the European settlers and the French administration may occur shortly before or during the UN discussion of the Algerian problem late this month. The American consul general in Algiers believes it is likely to involve considerable bloodshed.

[redacted] The rebels, who recently accelerated their terrorist attacks, have called for an "immense national manifestation" through a week-long general strike to coincide with the UN debate. [redacted] a general Moslem "insurrectional" strike may start on 12 January.

Simultaneously, tension is reported mounting at an alarming rate among European Algerians who fear abandonment by France. Indications are that French extremists are preparing to counter further Moslem unrest with a substantial show of their own force and that they may be supported by at least some elements of the French military which has largely taken over administrative operations in Algeria. This danger is pointed up by the arrest in late December of a French general charged with plotting to overthrow Minister Robert Lacoste and establish an Algerian republic controlled by the settlers. [redacted]

### **3. ISRAELI PRIME MINISTER ADAMANT ON GULF OF AQABA AND GAZA ISSUES**

Israeli prime minister Ben-Gurion told Ambassador Lawson on 8 January that while Israel "has no territorial ambitions anywhere in Sinai," it "has to have" the Gulf of Aqaba waterway. Ben-Gurion said, "No more will we be subject to Nasr's whims or charity. If he tries to re-establish the blockade, then we shall have to start shooting."

The prime minister reiterated that he cannot permit Egypt to regain authority in the Gaza strip and that he believes a UN force there could not control Egyptian fedayeen activity. He hinted that he would like to see Israeli police control maintained under UN supervision if this would satisfy world opinion.

#### **Comment**

The Israeli cabinet reportedly met on 10 January to consider its position on further withdrawal from Sinai. Israel's demands regarding Gaza and Aqaba will probably be supported by Britain and France. The British UN delegate told Ambassador Lodge on 9 January that "we would be worse off than before 29 October" if no changes are made in the Gaza and Aqaba situations.

#### 4. USSR PROMISES TO CONSIDER FURTHER AID TO EGYPT

[redacted] in the future,

[redacted] the USSR will not confine itself to the military assistance which it has already promised to give Egypt but "will look into" continuing to give it

[redacted] He added that the USSR will also look into giving future economic assistance.

[redacted] the USSR may not be able to give economic aid to Egypt immediately because of the long-range nature of Soviet planning and Moscow's economic aid programs to the Hungarians "and others."

Comment

[redacted] Egypt provided Moscow with arms data to serve as a guide in estimating the extent of Egypt's future military requirements. Although no new contracts are currently being discussed, Shepilov's statements suggest the USSR is considering the long-range underwriting of Egypt's military establishment.

Although of benefit to Egypt, Soviet economic support has thus far been negligible in terms of the USSR's resources. The USSR has been delivering some wheat and refined petroleum products, but these are presumably to be paid for in cotton under trade agreements previously signed. Wheat deliveries impose no strain on the USSR, since the 1956 grain crop exceeded all previous records by about 20,000,000 tons. The Egyptian need for petroleum products will decline with the reopening of the Suez Canal.

The USSR hopes that Egypt will lead Arab resistance to current American policy in the Middle East. For

this reason, the Soviet Union probably intends to offer increased military and economic assistance to Egypt. In terms of purely economic capabilities, the Soviet Union could readily undertake even the maximum Egyptian demand--the construction of the Aswan High Dam.

~~TOP SECRET~~

## 5. YUGOSLAVS OFFER SUPPORT TO YEMEN

[Redacted] Belgrade was fully prepared to support Yemen both in and out of the United Nations,

[Redacted]

Comment                    Support for Yemen in its quarrels with the British Protectorate of Aden would be consistent with the main aims of Tito's policy in the Near East; increasing his prestige among, and support from, the uncommitted nations of the Arab-Asian area. This policy has strained his Western relationships, particularly with Britain, but Tito may also feel that its similarity with Soviet policy in the area can be used to advantage in his dealing with Moscow on other matters.

Yugoslav officials have privately claimed to American officials that their country would act as a moderating influence in the Near East, particularly with Nasr, but Belgrade's public stand has completely supported those Arab nations which it claims are suffering from Western "colonialism." The Yugoslavs shipped some military materiel of their own manufacture earlier this year to Egypt and Syria, and their ships have transported Soviet bloc military goods, most recently to Syria.

~~TOP SECRET~~

## 6. JAPANESE MAY ENGAGE IN SAUDI ARABIAN OIL DEVELOPMENT

### Comment

A Saudi Arabian oil concession to the Japanese would be the first to a non-American organization. Japanese interest in such a deal is probably great as Japan imports about 96 percent of its crude oil requirements, largely from Saudi Arabia and Kuwait.

There are now no assigned oil development concessions in the western half of Saudi Arabia. The American-owned Arabian-American Oil Company has surrendered concession rights in part of this unassigned area.

King Saud has reportedly accepted an invitation to visit Japan in May.

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## 7. THE NEW BRITISH PRIME MINISTER

The 62-year-old British chancellor of the exchequer, Harold Macmillan, who became prime minister on 10 January, is a forceful initiator of progressive domestic policies and a champion of closer relations with the Continent. In view of his intimate association with the Suez intervention, however, Macmillan will inherit most of Eden's difficulties in trying to restore confidence in a Conservative British government.

The new prime minister is given the main credit for having persuaded the Conservative Party to endorse the government's decision to withdraw its forces from Egypt. Macmillan also probably reaped political advantage from the fairly widespread resentment within the party at R. A. Butler--the "heir apparent"--for his "fence sitting," especially during Eden's absence in Jamaica. The speed with which Macmillan took measures to prevent a serious financial crisis after Suez received a favorable public reception.

Macmillan's first action was to announce that he would not call an early general election. The government's first chance to assess initial public reaction to the change in leadership, therefore, will come in three pending by-elections in marginal constituencies. [redacted]

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ANNEX

Watch Report 336, 10 January 1957  
of the  
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future.\*