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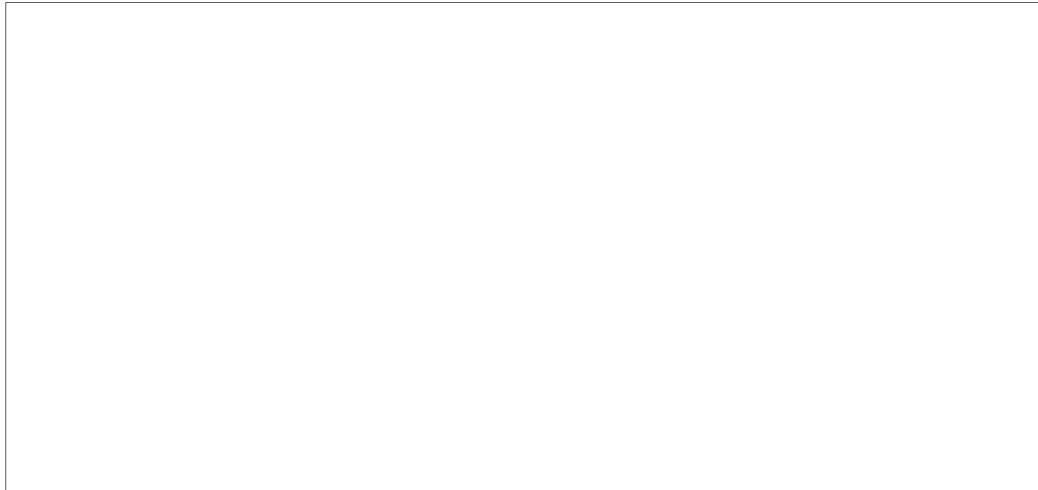
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1. BRITISH-EGYPTIAN COMPROMISE REPORTED ON SUEZ

A "compromise" plan on the Suez Canal which, [redacted]
[redacted] has been worked out between Nasr and Krishna Menon and agreed to by Britain, does not impair Egypt's basic position despite the plan's flavor of internationalization.

It appears questionable that Britain can have agreed to this plan, and Nasr has repeatedly expressed his belief that Britain does not want to settle, but desires to "get rid" of him. India and Egypt probably are primarily attempting to find a formula acceptable to the US.

The [redacted] plan, which [redacted]
[redacted] is Nasr's final position, calls for joint monthly meetings of the representatives of the users' association and the Egyptian canal authority "to discuss mutual problems." The joint board would establish an annual ceiling on canal toll charges, discuss toll changes, and consider, or pass on for arbitration, complaints by users of the canal. According to the plan, Egypt would accept three UN technicians to assist the Egyptian canal authority in navigation, mechanical and marine engineering. Disagreements on Egyptian compensation to the Suez Canal Company shareholders and other questions would be arbitrated. Egypt would sign separate free-passage treaties with user nations and carry out improvements of the canal. [redacted]

2. ISRAEL MOBILIZING ON "SUBSTANTIAL" SCALE

The American army attaché in Tel Aviv believes that the Israeli defense force is in the initial stages of a "substantial" mobilization preparatory to an overt hostile act. He reports that an Israeli [redacted] infantry brigade was mobilized on the night of 4-5 October, that an artillery battalion left for an unknown destination on 7 October, that troops were headed north by train on the same date, that an armored brigade was mobilizing and tanks were being removed from storage on the 8th.

Comment	Israel may be preparing to retaliate against Jordan for the 4 October ambush killing of five Israeli civilians. Israel has not, however, mobilized on the current scale for any of the three recent retaliatory raids. Israel may therefore be preparing for possible unfavorable developments in Jordan as a result of the entry of Iraqi troops into Jordan, or a further deterioration there in the internal situation.
	<p>[redacted]</p> <p>the first elements of the Iraqi contingent scheduled to be stationed in East Jordan are to arrive on 9 October.</p>

3. YUGOSLAV PRESS TREATMENT OF TITO-SOVIET TALKS

Comment on:

Commenting on the Tito-Khrushchev visits, the Belgrade government newspaper Borba on 7 October stated that there "exist naturally certain differences of views on the contemporary world, above all differences of an ideological character!" Borba added that "there are also certain unsolved problems in mutual relations." It stated, however, that a "guarantee" that Yugoslav-Soviet relations would develop successfully was the fact that the existing differences are being discussed sincerely and openly.

Borba re-emphasized the validity of the agreements already worked out with the Soviet leaders in June 1955 and June 1956. It selected for particular emphasis the principles of equality and noninterference in relations, condemnation of the policy of blocs, and complete adherence to the view that the paths of socialist development are different in different countries.

The Yugoslav press also reportedly has stated that these last principles will be emphasized in the forthcoming Yugoslav talks with the Italian, Rumanian, and French party delegations. Similar matters presumably will be discussed with the Hungarian delegation which will visit Belgrade beginning 15 October.

Tito apparently has not been swayed by his talks with Khrushchev from his independent position, and does not intend to lessen his pressure for Satellite change.

4. HUNGARIAN "SILENT DEMONSTRATION" DURING REBURIAL OF EX-"TITOIST" RAJK

Comment on:

The attendance of 200,000 Hungarians at the reburial ceremony of Laszlo Rajk on 6 October was acclaimed by Budapest radio as a "silent demonstration" revealing an "inextinguishable hatred" for despotism and the personality cult.

Szabad Nep, the Communist Party daily, interpreted the demonstration as public support for de-Stalinization and liberalization policies and repledged itself to the new policies of moderation.

The Rajk reinterment apparently was designed to stimulate popular support for these policies and to help improve relations with Yugoslavia. Hungarian regime spokesmen, in condemning charges against Yugoslavia in the Rajk trial and other past slanders, have shown increasing admiration of Yugoslavia's independence.

Yugoslav editorial comment on the Rajk funeral is similar in tone to that of the Hungarian statements. Belgrade radio claimed on 7 October that the funeral revealed that the "new fresh tendencies" in Hungary are gaining ground and that it represents an additional obstacle to "any attempt to return to the old ways." Belgrade also indicated that some additional measures may be pending against Rakosi. According to the Belgrade editorial, the Hungarian assertion that "the guilty ones should be nailed to the column of shame" was aimed primarily at Rakosi.

5. WEST GERMAN GOVERNMENT SEEN STABLE DESPITE CABINET RESIGNATIONS

The resignation from the cabinet of the four ministers from the Free People's Party (FVP) on 6 October "constitutes no basic threat to the stability of the government."

There has been dissension within the coalition over the disproportionate representation of the FVP, and rumors of a reshuffle have been current since last spring, when the Free Democratic Party (FDP) left the government. A splinter group of 14 FDP deputies became the FVP and retained the four FDP cabinet seats.

Chancellor Adenauer may not accept the resignation of Vice Chancellor Bluecher and at least one of the other ministers. The resignation offers may force Adenauer to an early decision on a reshuffle of his cabinet to improve relations between the coalition parties.

Adenauer has probably deferred reorganizing his cabinet partly because he hopes to win back the FDP, but recent negotiations have failed. If the FVP leaves the coalition, the chancellor's Christian Democrats will still have a governing majority in the Bundestag.

**6. INDIA TO RAISE QUESTION OF CHINESE REPRESENTATION
AT UN GENERAL ASSEMBLY**

Prime Minister Nehru has decided to request inscription of the question of Chinese representation on the agenda of the forthcoming General Assembly,

The request is to be given to the UN secretary general [redacted] after the US election."

Comment

When the USSR made a similar formal request of the General Assembly in 1951, the issue was disposed of by the customary procedure of deferring discussion, thereby rejecting inclusion of the item.

7. SUKARNO'S VISIT TO PEIPING

Comment on:

[Redacted]

Indonesian president Sukarno left Peiping on 6 October for a week's tour of Communist China. The Indonesian leader thus far has responded warmly to the reception arranged for him by the Chinese.

In numerous speeches, Sukarno emphasized the common aspirations of the Chinese and Indonesian people. He endorsed Peiping's goal of annexing Taiwan, told university students that Sino-Indonesian friendship was "indestructible," and invited Mao Tse-tung to visit Indonesia.

It is doubtful that Mao will visit Indonesia, since the official Chinese Communist news agency advised all editors not to use the heading "Chairman Mao accepts invitation to visit Indonesia" for stories on Sukarno's departure from Peiping. Mao has never visited a non-Communist country.

8. BURMESE AMBASSADOR FORESEES PEIPING YIELDING ON BORDER DISPUTE

Mao Tse-tung apologized to Burmese ambassador Hla Maung at a state dinner in honor of Indonesian president Sukarno on 2 October for the "bureaucratic" attitude he and other Chinese Communist leaders had taken in leaving the Sino-Burmese border problem "unsettled for seven long years." When Chou En-lai said that only two meetings need be devoted to the border dispute during U Nu's visit to Peiping late this month, Mao replied that "two meetings are too many!"

Comment Optimism has been growing in Rangoon over the prospects of a favorable boundary settlement. Anything less than virtual capitulation to Burma's position on the border will prove a severe disappointment to Rangoon and lead to even greater bitterness against Peiping than has been manifested heretofore.

Despite the Burmese ambassador's optimism, the Chinese have not specifically indicated that they are agreeable to a settlement of the border problem on Burma's terms. Peiping remains evasive on the issue, although Chou En-lai may suggest a compromise settlement during U Nu's visit or his own visit to Rangoon in December.

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9. CHINESE COMMUNISTS MAKE ECONOMIC GRANT TO NEPAL

Comment on:

[Redacted]

Under an economic aid agreement signed on 7 October, Communist China will provide Nepal with rupees to the value of approximately \$12,600,000 during the next three years as a gift to help carry out Katmandu's first five-year plan. This agreement follows the treaty of friendship signed on 20 September between Nepal and Communist China and advances Peiping's effort to establish closer ties with Nepal.

No Chinese technicians will be sent to Nepal in connection with the aid grant, probably out of deference to Indian sensitivity to Chinese influence in Nepal. New Delhi is considering a \$21,000,000 aid program for Nepal.

The agreement to aid Nepal is Peiping's second grant of economic assistance to a non-Communist country. The first was made to Cambodia last June and provided for \$22,400,000 to be advanced over a two-year period. [Redacted]

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 8 October)

**See item 2, p. 4 for an article bearing
on the Arab-Israeli situation.**

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