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21 December 1955

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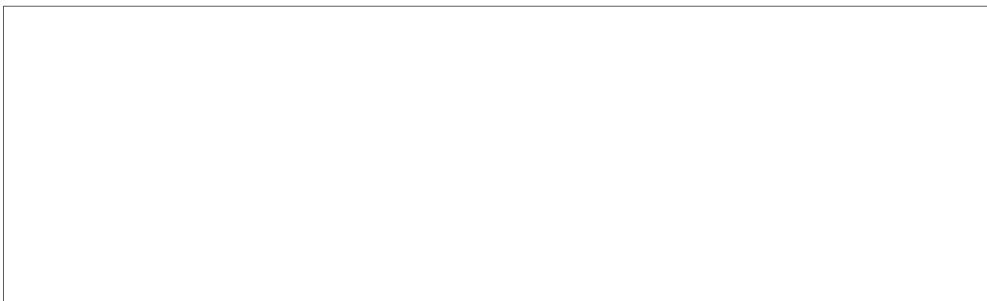
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Current Intelligence Bulletin

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1. CHINESE COMMUNIST TRADE TALKS WITH URUGUAY

[Redacted]

The honorary Uruguayan consul in Hong Kong, who has just returned from Peiping, says preliminary trade talks with Chinese Communist officials have resulted in contracts worth several hundred thousand pounds sterling, a Chinese proposal for the exchange of permanent trade representatives, and a call for a formal Sino-Uruguayan trade agreement.

The participation of Premier Chou En-lai in the talks emphasizes the political interest the Chinese have in establishing closer trade ties with Latin American countries. Peiping apparently hopes to pave the way for eventual recognition by Uruguay and possibly other Latin American states. Chou told the Uruguayan consul that he would like to "visit the American continent next year."

Trade between Communist China and Latin American countries has hitherto been small, principally with Argentina and Brazil. The negotiations with Uruguay may, however, stimulate a general Latin American interest in broadening trade with China. Earlier this month Uruguay designated a "commercial agent" to East Germany and Poland while announcing that this in no way implied diplomatic recognition of these regimes.

The Latin American states can be expected to follow the majority of the Western powers on the question of recognizing Peiping. [Redacted] (Concurred in by ORR)

2. PRESIDENT SUKARNO APPARENTLY SEEKING FALL OF HARAHAP CABINET

[Redacted]

Opposition newspapers in Indonesia are calling for the resignation of Prime Minister Harahap's pro-Western government over the air force crisis. President Sukarno seems also to be seeking the cabinet's fall. He has opposed Harahap's proposals to discipline the high-ranking air force officers involved in mutinous conduct on 14 December. If the government fails to reassert its authority, its position may become untenable.

Sukarno would like a leftist government to supervise the returns from the elections on 15 December for a constituent assembly. He would also like to make his own selection of some 20 members to represent national minority groups, who may hold a balance of power in the new parliament. At present both Sukarno and Harahap are claiming the constitutional privilege of making the selections.

Harahap will resist pressure to force his resignation, but in a contest with Sukarno may not be able to count on full support from the small-party members of his coalition when parliament reconvenes on 10 January.

[Redacted]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 20 December)

Egypt has charged that four Israelis and an Egyptian were killed when an Israeli patrol crossed the demarcation line near Gaza on 20 December. An Israeli spokesman charged that the Egyptians fired on an Israeli patrol in the Kissufim area of the Gaza strip. He added that this area appeared to be growing restive since the Israeli raid against the Syrians at Lake Tiberias.

The American embassy in Tel Aviv believes that Israeli public opinion has reached such an emotional state that the overwhelming majority would approve preventive war. According to the embassy, the Israeli government in late October considered but rejected preventive military action, choosing an arms procurement program as the alternative. The embassy feels that Israel's fear of Egypt's potential air power is such that if arms are not forthcoming, the Israelis will probably take preventive military action against Egypt.

According to a Jerusalem broadcast, the Syrian minister of defense has refused to exchange four Israeli prisoners who have been in Syrian hands for over a year for the nearly 30 Syrian prisoners taken in the recent Israeli attack at Lake Tiberias.