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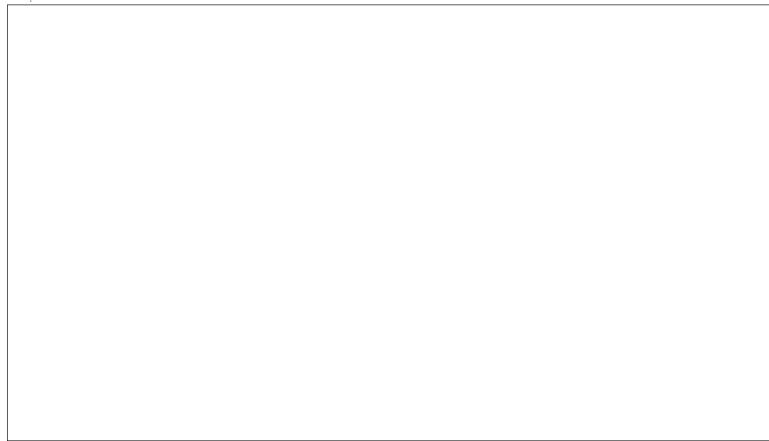
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OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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THE TAIWAN STRAIT

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1. HAMMARSKJOLD TO CONVOKE UN SECURITY COUNCIL IF SUEZ SITUATION WORSENS

[Redacted]
Secretary General Hammarskjold has informed British foreign secretary Lloyd and Ambassador Lodge that he feels legally obliged by the UN charter to bring the Suez situation before the Security

[Redacted] Council if the negotiations break down without a settlement and the parties themselves do not appeal to the UN.

Hammarskjold told Lodge he thought the British and French were acting in a "fantastic" manner. He said that if they used force in the mistaken belief that they could re-establish their position in the Middle East, war would probably result and the UN might be destroyed.

Comment

Most members believe that some type of UN action is necessary to a solution of the Suez situation. Opinion among them differs regarding which UN body would provide the best forum--the Security Council, where the USSR might use the veto in Egypt's favor, or the General Assembly, where the anticolonial and underdeveloped nations could raise a large majority, particularly if force were used against Egypt.

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2. BRITISH POLICY PLANNING CONCERNING SUEZ SITUATION

Approaching the situation on a day-to-day basis, Prime Minister Eden has permitted military preparations to advance, but has not yet given specific guidance to the British chiefs of staff, who at the end of July adopted 15 September as the date for completion of military deployment in the Mediterranean area.

Comment

[redacted] the impression that the British government has not reached a final decision as to the use of force in the event negotiations with Nasr are unsatisfactory. In any case, London appears to believe that for moral justification some further move--perhaps including recourse to the UN Security Council--would be a necessary preliminary to the use of force.

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3. INDIA REPORTEDLY RENEWS EFFORTS IN CAIRO TO SOLVE SUEZ CONTROVERSY

[Redacted] India's Krishna Menon, during his visit to Cairo on 29 and 30 August, worked out with President Nasr a compromise proposal on the Suez Canal to be presented to the committee of five, [Redacted]

[Redacted] The proposal centers on the setting up of an international advisory committee, ostensibly controlled by Egypt, but with powers extending to administration of the canal.

[Redacted] India is trying to freeze the USSR out of a position of influence with Nasr and that Menon resisted attempts of the Soviet ambassador to Cairo to see him during his stopover there.

The Indian attitude, [Redacted] [Redacted] is the result of Nehru's belief that the success of India's Second Five-Year Plan depends on an effective guarantee of freedom of transit through the canal and the Indian prime minister's unwillingness to depend on Nasr for this.

Comment	Nehru reportedly was dissatisfied with what he considered to be Menon's sharing of a position with the USSR at the London conference.
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Congress Party parliament members that India's economic interests could be better served by the Dulles formula than the Soviet position,	[Redacted]
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Nehru reportedly has also given a general directive on Suez to Indian newspapers, and his attitude may be reflected in editorial criticism of Nasr's action on the canal which appeared for the first time on 2 September.	[Redacted]
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**4. FRANCE MAY LINK SUEZ "WAR" TO
ALGERIAN REFORMS**

[REDACTED]

The French government intends to balance sanctions against Egyptian premier Nasr with the announcement of radical political reforms in Algeria,

Premier Mollet has decided to offer a decentralized federal status to Algeria and to invite the rebels to negotiate on this basis. Announcement of this concession might be delayed, however, if Nasr backs down before 15 September or if military action is not taken against him.

[REDACTED]

Military action would presumably be pegged to the resignation of canal pilots and the consequent need to keep the canal open.

Comment

Mollet will meet Lacoste, the French minister residing in Algeria, this week end and may try to gain his support for a modification of the "pacification first" policy by reassuring Lacoste of Paris' intention to deal firmly with Nasr.

Ambassador Dillon in Paris does not believe the cabinet has, as yet, decided to employ force, but he reports a growing French feeling that military action may become necessary.

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5. PANAMANIAN GOVERNMENT THREATENED

Armed violence may occur in Panama as a result of the reported decision by leaders of three opposition political factions and anti-American students to support a strike by the Communist-dominated auto transport workers' union. President-elect Ernesto de la Guardia appears justified in his fears, expressed publicly on 4 September, that the objective of the strike would be to promote disorders aimed at preventing his inauguration on 1 October.

Representatives of the union, the university students' strike committee, and opposition leaders--including two former presidents--met and decided on 4 September to co-operate in a joint strike program and to attack the Panama National Guard headquarters and other public buildings.

the student leaders obtained a promise from the others at the meeting for support in demonstrations against the American embassy, "including possible violence." These actions are allegedly planned for sometime between 5 and 12 September.

The students' strike committee has numerous leftist and Communist members,

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6. BRAZILIAN DENUNCIATION OF ATOMIC PACTS WITH UNITED STATES

[Redacted]

Brazil's 30 August decree suspending exports to the US of fissionable rare earths and terminating a joint uranium prospecting agreement is a tactical victory for Communist and nationalist forces. However, the move probably should not be considered as a shift in Brazil's basically pro-US foreign policy, according to the American embassy in Rio de Janeiro.

In signing the decree, the president apparently hoped to end the bitter and embarrassing controversy over the administration's alleged "selling out of Brazil's interests" in fulfilling atomic materials contracts signed by previous administrations. By this action Kubitschek may be seeking to weaken popular opposition to any military bases agreement Brazil may make with the United States in current negotiations.

The government action will almost certainly be followed by increased agitation in the Brazilian congress for the creation of a state monopoly on atomic materials.

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7. POLITICAL CRISIS APPROACHING IN GREECE

Greek prime minister Karamanlis' government feels itself seriously threatened as a result of recent Cyprus developments.

Karamanlis feels that his country's allies are forcing him to seek support from the Soviet bloc and Egyptian-dominated Arab states. Karamanlis recently told the American chargé that his government will soon be forced either to revise its pro-Western foreign policy or to resign.

The Greek government's increasing isolation from its allies over the Cyprus issue is strengthening domestic advocates of neutralism. If Karamanlis should fall, Greek frustrations over Cyprus would bring to power a government susceptible to Communist influence in promoting the Cypriot cause regardless of the effect on the country's alliances.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 5 September)

Prime Minister Ben-Gurion of Israel has flatly rejected all the United Nations Security Council proposals for improving the Arab-Israeli border situation and strengthening the armistice machinery, according to UN truce supervisor General Burns. Secretary General Hammarskjold, who sought Arab and Israeli acceptance of these proposals this spring, said he considered that Ben-Gurion's attitude closed the door to further action by him unless the Security Council takes new steps. Hammarskjold last spring obtained only partial and conditional acceptance of the UN proposals from the Arab states. Israel has long maintained that Arab commitments to the armistice agreements are worthless, and that the UN is incapable of obtaining strict Arab compliance. Ben-Gurion's latest statement to Burns probably stems immediately from recent attacks on Israel by Arab raiders.

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BIWEEKLY SUMMARY
(23 August-5 September 1956)

THE TAIWAN STRAIT

**Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

1. There was no significant combat activity during the period. [redacted]
2. Recent progress in the construction of the trans-Fukien railroad suggests that the Communists may complete the line to Amoy in November or December. Peiping has announced completion of the roadbed and the laying of tracks on 290 miles of the 422-mile line. Construction of the railway station at Amoy is under way. [redacted]

3. [redacted]

Mao Tse-tung told the Laotians that, although Communist China desired to negotiate with Chiang Kai-shek, it was in no hurry. This playing down of the urgency of the Taiwan problem is in contrast to former Chinese Communist statements which stressed the "inevitable" early "liberation of Taiwan." [redacted]

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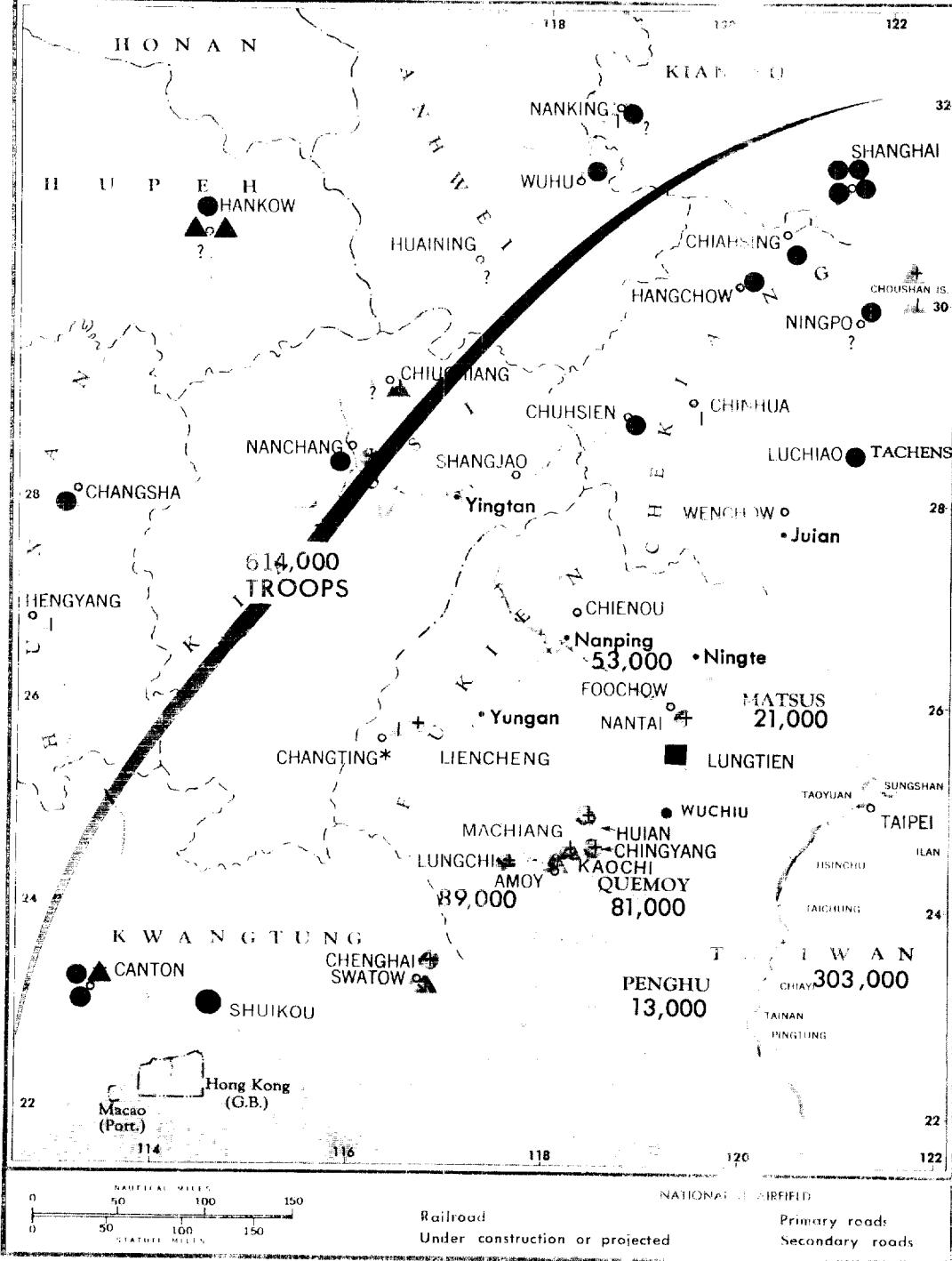
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TAIWAN STRAIT SITUATION

5 SEPTEMBER 1956

CHINESE COMMUNIST AIRFIELD LEGEND:

DESIGNATIONS	PRIMARY AIRFIELD CONSIDERED MOST IMPORTANT IN AREA WITH PREPARED RUNWAY GENERALLY 5000 FEET OR LONGER	SECONDARY AIRFIELD AUXILIARY OR EMERGENCY BASES OR FIELDS OF LESSER IMPORTANCE RUNWAYS GENERALLY LESS THAN 5000 FEET	USABILITY		
			OPERATIONAL	SERVICEABLE	UNKNOWN
ACTIVE BASE FOR MILITARY & CIVILIAN AIRCRAFT. SOME BASES USED BY PISTON TYPES MAY BE USABLE BY JETS			●	▲	
INACTIVE BASES CAPABLE OF USE BY AIRCRAFT			○	△	?
CURRENT STATUS UNDETERMINED			■	□	□
			AIG-15	TU-2, IL-10	N
			AIG-17	IA-9/11 LI-2	UNKNOWN
			33-4	ETC.	UNDER CONSTRUCTION
			120		
					FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.

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