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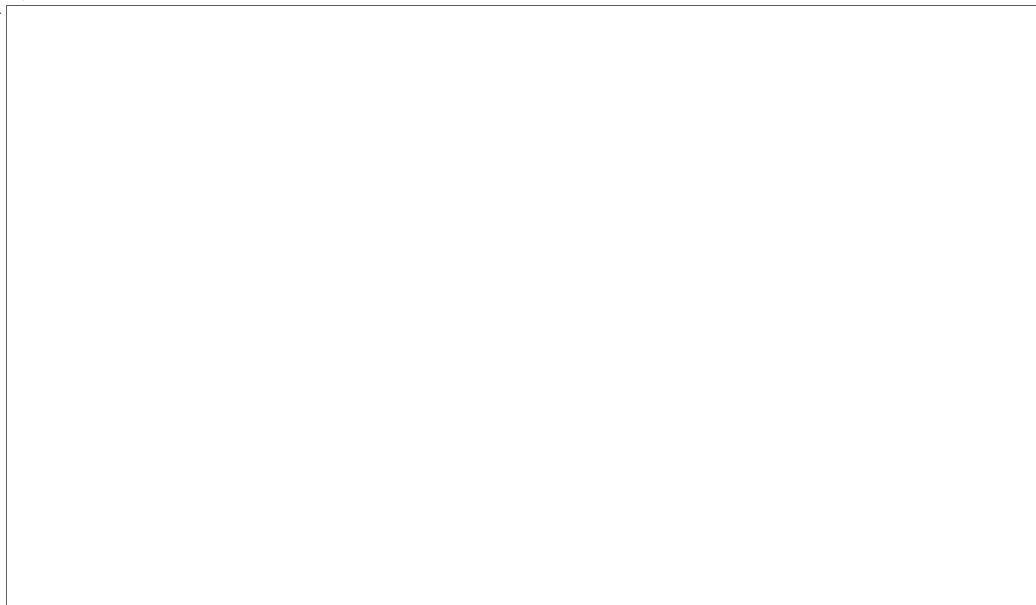
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CURRENT INTELLIGENCE BULLETIN

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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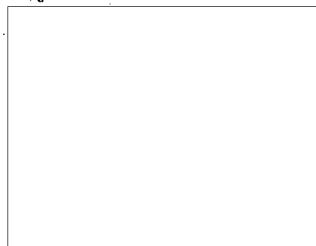
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1. USSR ACCEPTS WESTERN INVITATION TO LONDON CONFERENCE



The Soviet note accepting the invitation to the London conference makes numerous reservations to the conference as proposed. The USSR urges postponement of the conference until late August, if only to allow time to invite the new participants the Soviet Union proposes. The note strongly supports Egypt's position, terms as "inadmissible" threats by Britain and France, and is in harmony with Prime Minister Nehru's statement on 8 August. It invites Asian and neutral powers to oppose the British proposal and support Nasr.

Moscow probably will attempt to hamstring the conference at the outset by challenging its competence to deal with the problem. The note states that the conference as presently constituted "cannot in any way" be regarded as authorized to take "any decisions whatever" affecting the Suez Canal. It suggests instead that the USSR considers it "most expedient" to discuss such problems within the framework of the United Nations.

In its proposal, Moscow names 22 additional states to be invited to the conference, including the seven Satellites, Communist China and ten Moslem countries.

Moscow may introduce the question of the status of other waterways at the conference. The note asks why the Western declaration at London singled out the Suez Canal from the "sea straits and canals of no smaller importance."

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**2. SOVIET OFFICIAL PROMISES AID TO EGYPT IN
CASE OF WAR**

Comment

In the event of Western military action against Egypt, the USSR probably intends to give Egypt political and economic support, including arms, and it is possible that Communist pilots already in Egypt on a training mission might be used to man some of the aircraft Egypt has received from the bloc. It appears less likely, however, that Moscow would dispatch "volunteers" to Egypt except in an advisory, noncombatant capacity.

3. PINEAU PROPOSES THAT ATOMIC ARMS BE MADE AVAILABLE TO NATO

French foreign minister Pineau feels that the best way to meet both German and French worries over possible British and US troop reductions in

[redacted] Europe would be to make quantities of tactical atomic weapons available to NATO. Pineau reportedly feels that this action would confirm that NATO is still the bulwark of Western defense and that there is no intention of letting its armament become obsolete. A ranking Foreign Ministry spokesman on 6 August quoted Pineau as having made these statements in his conference last week with British foreign secretary Lloyd.

Comment

Pineau's suggestion may indicate a major evolution in the official French position on the desirability of permitting West German armed forces to have access to atomic weapons. Such a change is possible in the light of French concern for the maintenance of the NATO shield in Western Europe. Most of France's NATO divisions have been diverted to North Africa, and there is a possibility of British withdrawals in connection with the Suez crisis.

Paris, however, can be expected to oppose the release of West Germany from restrictions on its right to manufacture atomic, biological, and chemical weapons.

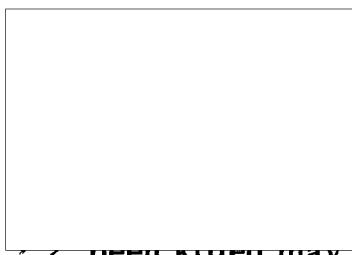
4. HONDURAN LIBERALS REPORTEDLY PLAN ANOTHER REVOLT

Comment

Honduran chief of state Lozano assured the American embassy on 6 August that "everything is under control," but admitted that up to 300 rifles and a few machine guns were missing from the barracks after the attack. A state of emergency is still in force in the capital area and the army continues on alert. Lozano, apparently confident that order has been restored, on 9 August decreed the long-planned election of a constituent assembly for 7 October.

The north coast was quiet during and after the 1 August fighting in Tegucigalpa. The Liberals are strongest in this area, however, where resentment over the regime's probable efforts to dictate the results of the coming election may prove explosive. Lozano, who is not popular, wants to form an assembly which will elect him constitutional president of Honduras for a seven-year term.

5. RUMORED SHOOTING OF ECUADORAN ARMY CHIEF MAY PROVOKE CRISIS IN ARMED FORCES



Rumors that a popular Ecuadoran army commander, Colonel Humberto Garces-- reportedly arrested for implication in the Portoviejo uprising of 6-8 August--has ~~been killed may~~ lead to unrest in the armed forces and possibly an attempt to thwart the official declaration of president-elect Ponce's victory on 10 August or prevent his inauguration.

President Velasco appears determined to supervise Ponce's peaceful accession to power. Prompt government action in suppressing the Portoviejo revolt has tended to augment Velasco's prestige. Serious armed forces defection, or congressional rejection of the election results on 10 August, might lead Velasco to try to perpetuate himself in office.

6. COALITION GOVERNMENT REPORTEDLY AGREED ON IN LAOS

Comment on:

Chinese Communist and Viet Minh radio reports claim that the Laotian government and the Pathet Lao reached agreement on 8 August to form a coalition government and to hold supplementary general elections for the purpose of filling additional seats in an expanded national assembly.

Although this report is as yet unconfirmed by the Laotian government, prior to the commencement of negotiations, Premier Souvanna Phouma was thinking of increasing the number of Laotian provinces from 12 to 16 in order to admit more deputies into the assembly as a means of facilitating the establishment of a government which would include "two or three Pathets." It is possible that a cabinet position will be offered to a high-ranking Pathet, possibly Prince Souphanouvong.

Meanwhile, a senior French official in Indochina anticipates that a "distinctly neutralist" Laos will result from the present negotiations and that all foreign advisers will be asked to leave. He believes this will mean the closing down of the French military base at Seno.

7. COMMUNIST PARTICIPATION IN FINNISH GOVERNMENT UNDER CONSIDERATION

[redacted]
[redacted] Communist participation in a new all-party coalition government is being urged by the Agrarian Party in the event the current deadlock in the Finnish cabinet causes the government to fall,

[redacted] Cleavage between the Agrarians and the Social Democrats, who constitute the coalition government, has prevented the cabinet from coping with the serious problem of inflation and may, [redacted] lead one party or the other to resign from the government.

[redacted]
[redacted] The Social Democrats adamantly oppose any national coalition that would include the Communists, but the Agrarians argue that the presence of Communists would "do no harm" and might be advantageous in the event of talks with the USSR on the return of part of Karelia to Finland.

Comment

The Agrarians and the Social Democrats, with 53 and 54 seats respectively, have a slim majority in the 200-seat Finnish parliament; the Finnish People's Democratic League (Communist) has 43 seats. Because of the impasse in the government over the economic situation, the cabinet may fall, but the Agrarians may find it difficult to include the Communists in any new government because they are distrusted by a large segment of the people and because most parliamentary representatives of the smaller bourgeois parties, which have 50 seats, oppose such a move.

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 9 August)

The American embassy in Lebanon reports that the wave of popular support for Nasr now sweeping the Arab states indicates a far more belligerent and uncompromising attitude than previously. Even Christian elements in Lebanon, who may privately have reservations about Nasr, have joined the chorus for Egypt. The embassy warns against underestimating the popular acclaim and support for Egypt in the area and the resulting emotional reaction which increases Arab intransigence on the problem of accommodation with Israel.