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1. COMMENT ON EGYPTIAN-ISRAELI SITUATION

Fighting in the Gaza area between Egypt and Israel continued unabated on 30 August despite diplomatic representations from Western countries. UN truce supervisor Burns stated that the situation was out of control; attempted meetings of the mixed armistice commission were repeatedly interrupted by reports of new outbreaks.

An Egyptian offer for a cease-fire, transmitted on 29 August to Ambassador Byroade, has not been taken up by Israel. As of 2400 hours 30 August Israel also had not replied to Burns' own proposal, which originally called for a simple cease-fire by 1200 EDT on 30 August. A UN announcement from Jerusalem stated, however, that Israel's agreement was expected, with a truce effective at 1300 EDT 31 August. The original proposal was accepted by Egypt.

The American embassy in Tel Aviv feels that Israel is probably not eager for a cease-fire. The Israelis are likely to consider Cairo's offer and its acceptance of Burns' proposal merely an attempt to protect Egypt from Israeli retaliation. The embassy stated on 30 August that the only discernible factor working to restrain Israel at this time was Secretary Dulles' 26 August address.

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2. SOVIET NAVAL SHIPBUILDERS IN SHANGHAI

[redacted] at least six Soviet shipbuilding specialists previously associated with the construction of postwar long-range "W-class" submarines and motor torpedo boats have been transferred to Shanghai.

The stay of these officials apparently will be lengthy since arrangements are being made to move their dependents to Shanghai.

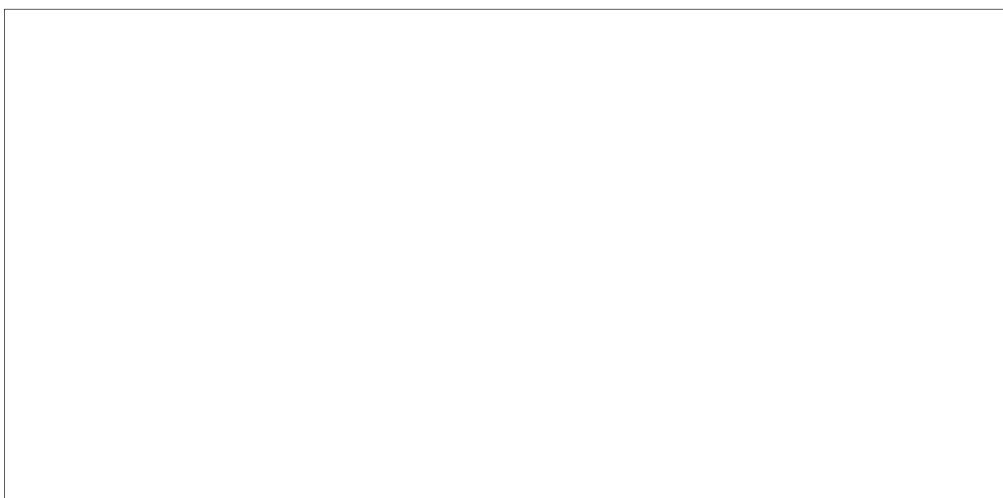
Comment The transfer of shipbuilding specialists indicates either that Soviet advisers are to assist in the maintenance and repair of Chinese Communist or Soviet naval vessels at Shanghai yards or that there are plans to build or assemble "W-class" subs and/or motor torpedo boats in China.

If new construction is planned, a considerable expansion of building facilities would be required since the construction of highly specialized vessels such as submarines is beyond the present capability of Shanghai's yards.

The Chinese Communist navy is estimated to have at least four long-range and five coastal submarines of prewar design, but none of the postwar long-range "W" and "Z" classes. (Concurred in by ORR)

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3. NEGOTIATIONS FOR CZECH ARMS DELIVERIES TO SYRIA PROBABLY IN PROGRESS



This is probably a follow-up of a Soviet offer [redacted] to provide Syria with materiel and equipment "of all types and of any amount" through a Satellite. Last March Czechoslovakia shipped war materiel to Egypt, and the USSR has recently offered arms to Egypt and Saudi Arabia.