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30 December 1955

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Copy No. 103

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 39
NO CHANGE IN CLASS. 0
C1 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 17 JAN 1980 REVIEWER

**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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DIA and DOS review(s) completed.

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Approved For Release 2004/03/15 : CIA-RDP79T00975A002300390001-3

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1. BULGANIN AND KHRUSHCHEV SUPREME SOVIET SPEECHES

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[Redacted]

The speeches of Premier Bulganin and party secretary Khrushchev before the Supreme Soviet on 29 December revive strongly anti-Western themes and make it clear that Moscow now considers the "spirit of Geneva" a monopoly of the Sino-Soviet bloc and such states as India, Burma and Afghanistan. Khrushchev made the strongest attack against President Eisenhower since the summit conference.

Khrushchev boasted of the USSR's retaliatory capability by asserting that the Soviet hydrogen bomb "can be considerably increased in power." Neither speech contained any reference to outlawing war as a means of solving international disputes--a point mentioned several times in the Soviet-Indian declaration.

Khrushchev reiterated that the USSR intends to fulfill the promises of economic and political support to Asian countries made by the Soviet leaders while they were in the area.

Both leaders attacked the Baghdad pact and warned Iran and Pakistan of the consequences of committing themselves to Western-sponsored alignments. Khrushchev expressed sympathy for the Arabs and said that "from the first day of its existence, the state of Israel has been taking a hostile, threatening position toward its neighbors."

Both speeches pictured the USSR as strong internally, confident of further successes in foreign affairs, and capable of standing up against the West in all categories of military strength.

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2. NASR CITES OBJECTIONS TO WESTERN OFFER ON HIGH DAM

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[Redacted]

Egypt's Prime Minister Nasr and Finance Minister Kaissouni are disturbed by the conditions placed by the International Bank for Reconstruction and Development on its loan to finance Egypt's proposed high dam.

Nasr told Ambassador Byroade on 27 December that in his preliminary view, the language of the bank's letter of intent appears to give it complete control over the Egyptian economy. Nasr foresees, for example, the possibility that if Egypt were forced to purchase still more arms to counter Israeli purchases, the bank would be in a position to cancel the high dam project.

Comment

The conditions under which an IBRD loan is likely to be granted are almost certain to lead Nasr and his advisers to consider more seriously an offer from the USSR, particularly if the Soviet offer appears to be "without strings."

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5. BONN'S CHOICE FOR MOSCOW POST PLAYS DOWN ITS IMPORTANCE

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The appointment of Wilhelm Haas, West German ambassador to Turkey since 1952, as ambassador to the Soviet Union suggests that Bonn

does not wish to emphasize the importance of the new diplomatic connection. News of Haas' appointment was confirmed to American representatives by a Bonn Foreign Ministry source on 28 December. Previous speculation had been concerned only with top officials in Bonn, and Haas, in his standing at home, contrasts sharply with Soviet deputy foreign minister Zorin, who recently took up his post in Bonn as Moscow's ambassador.

Haas, now 59, served in various German foreign service posts between 1922 and 1937, but has no experience in the USSR. He was recalled to the Foreign Ministry when the Federal Republic was set up in 1949, and served for a time in 1951 as personnel chief.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 29 December)

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Israel claims that a small Egyptian force briefly occupied a disputed hill near the Gaza strip on 28 December. An accumulation of such incidents in the past has led to Israeli retaliation.

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On 27 December all Israeli newspapers carried a story presumably inspired by the Israeli army calling attention to the considerable increase in Arab military strength expected during the coming year. The newspapers elaborated on statements made by Israeli chief of staff Dayan to the effect that Israel's superiority was diminishing daily. The domestic effect of this type of reporting is likely to be a rise in war fever, although it is probably designed to influence world opinion.

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Press reports from Tel Aviv state that Prime Minister Ben-Gurion's tough line toward the Arabs has been supported by his Mapai party after three days of debate. It is doubtful that his victory is as clear-cut as the vote of confidence would imply. Considerable dissatisfaction with his assumption of "dictatorial" powers over security matters probably still exists. The long-standing differences between Ben-Gurion and Foreign Minister Sharett appear to have been brought to a new peak by this debate, and Sharett may now resign. A likely replacement would be former defense minister Lavon, who at one time reportedly was Ben-Gurion's protégé.

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