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22 December 1958

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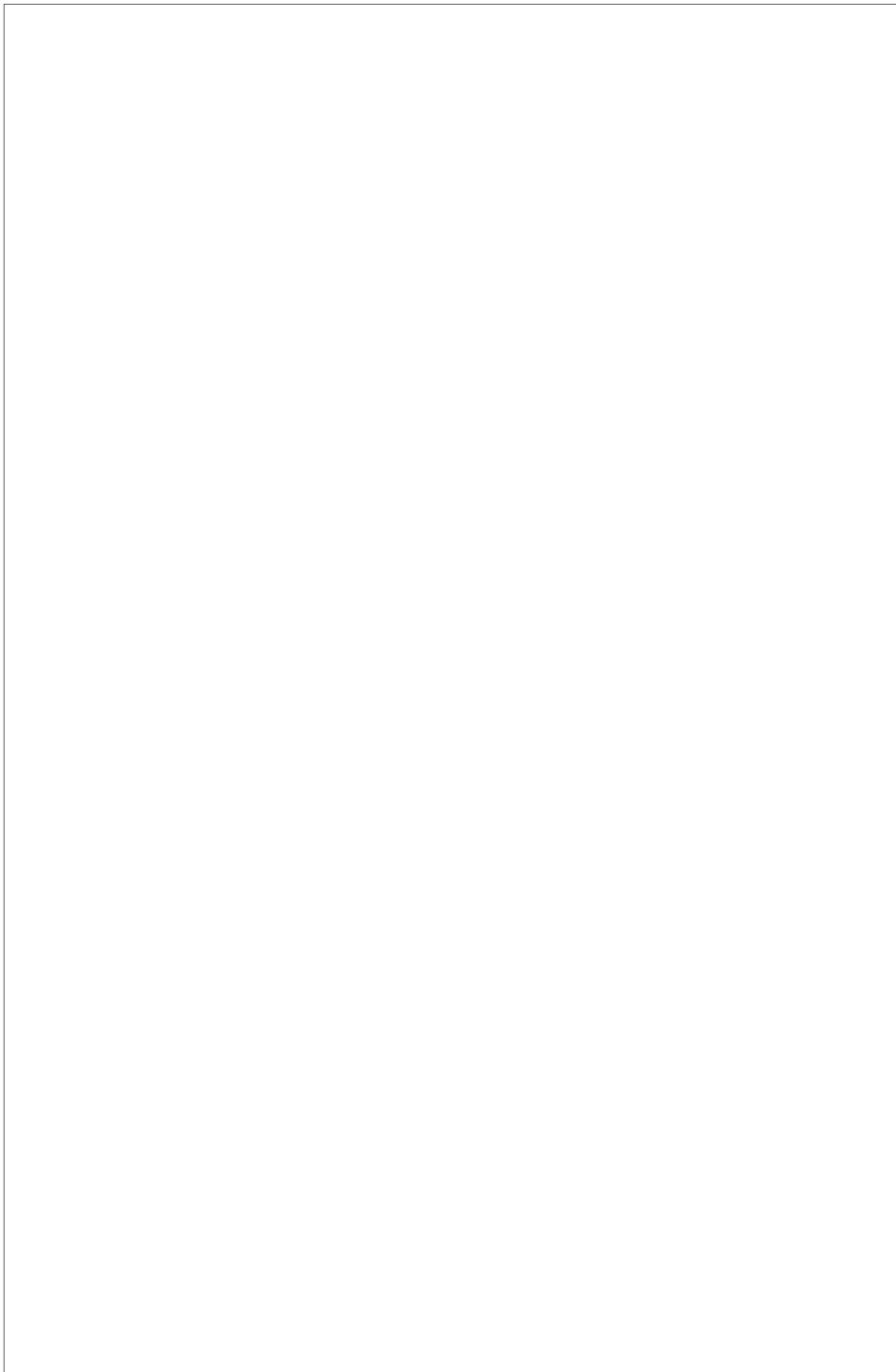
CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 17
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: T-200
NEXT REVIEW DATE:
AUTH: 4080
DATE: 11 NOV 1980

2010

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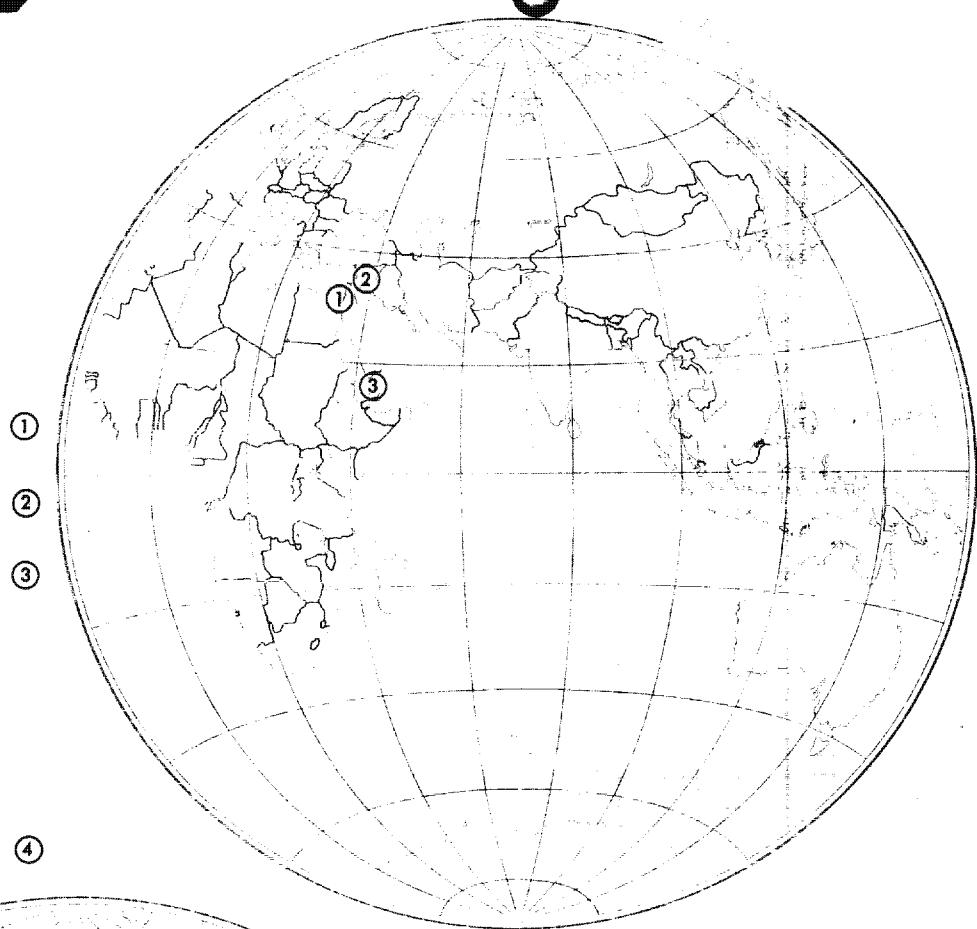
22 DECEMBER 1958

I. THE COMMUNIST BLOC**II. ASIA-AFRICA**

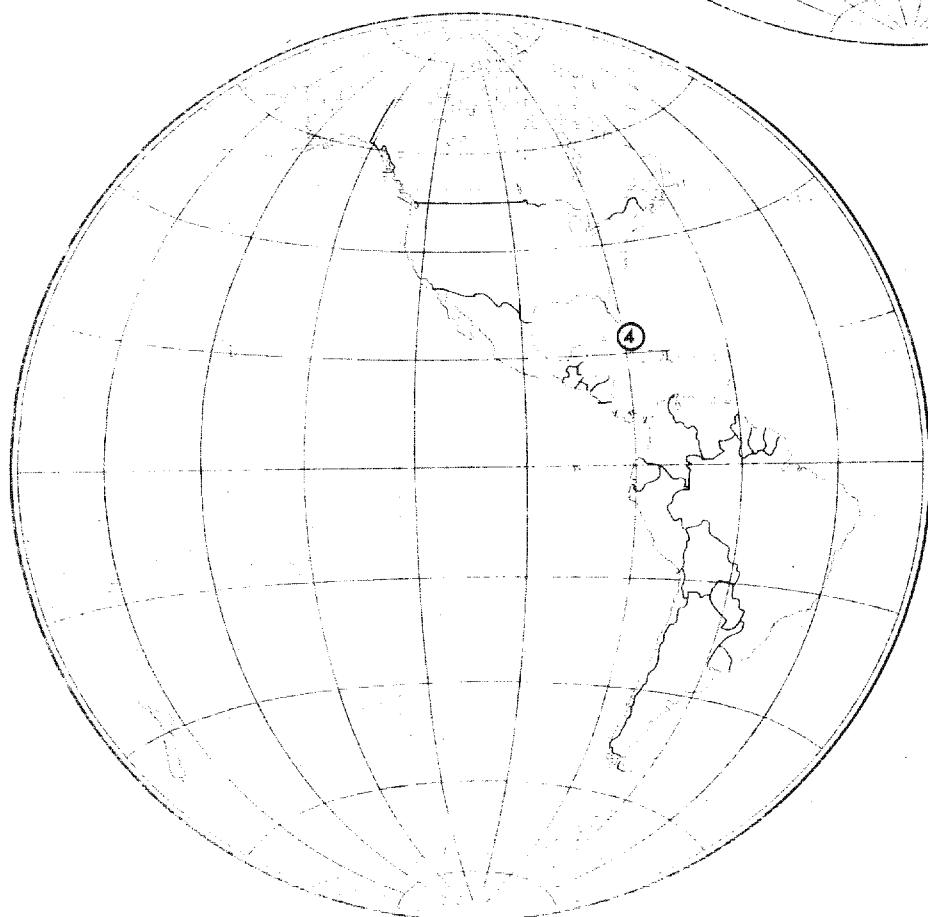
Israeli, UAR forces remain alert; further incidents likely.

Syrian economy, already weak, threatened by flight of capital.

Yemen - Imam reportedly died on 15 December.

**III. THE WEST**

Cuban rebel forces expanding activity; government troops on defensive.

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CENTRAL INTELLIGENCE BULLETIN

22 December 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

SIRAB

II. ASIA-AFRICA

Israel-UAR: The air battle on 20 December, in which the Israelis claim one Egyptian MIG-17 was damaged and possibly shot down, was probably Israeli reaction to recent UAR photo-reconnaissance flights over Israel, and the damage recently inflicted on Israeli border villages by UAR artillery fire from Syria. Both sides remain alert for further trouble. The Israelis may provoke an incident by sending a work party into an ill-defined Israeli-Syrian boundary area where a Syrian military force already is present.

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Syria: The Syrian economy, badly shaken by the aftereffects of last summer's Lebanese crises and more recently by the UAR Government's land reform program, is experiencing a severe flight of capital. In an effort to restore confidence, the government has appealed to the people to ignore rumors "spread by evil-minded people." This announcement, however, probably will have the effect of increasing the demand for foreign currencies.

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*Yemen: The ailing Imam of Yemen--target of recurrent plotting--reportedly died on 15 December of undetermined causes,

Men of Crown Prince Badr's bodyguard

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are said to have begun to arrest officials opposed to the Prince. Badr reportedly intends to suppress word of the Imam's death until he has made sufficient arrests to intimidate those who oppose his succession.

[redacted] but if it is true, serious unrest would probably follow in Yemen.

Crown Prince Badr, who has sought to strengthen his position by promoting close relations with the UAR and the Sino-Soviet bloc, has not been friendly to the US.

III. THE WEST

HQ
Cuba: A rebel force has apparently moved westward into Matanzas Province while other rebel groups in Las Villas and Oriente Provinces have captured more outposts, including a village near the American naval base at Guantanamo. Government forces remain on the defensive.

[redacted] bringing labor representatives from various parts of the country to rebel-controlled territory for a conference, which may now be under way. Other evidence suggests that rebel sympathizers have made some gains in organized labor since their unsuccessful effort to initiate a general strike last April.

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I. THE COMMUNIST BLOC

II. ASIA AFRICA

Israeli-UAR Tension

The air battle between Israeli and Egyptian planes on 20 December, in which Tel Aviv claims one MIG-17 was hit and possibly downed, probably resulted from an Israeli effort to "retaliate" for the damage inflicted on several border villages by Syrian artillery fire during a 3 December clash, and for recent UAR photo-reconnaissance missions over Israel. The Israeli aircraft, presumably French-built Mystere jets, may have crossed the border and sought out the Egyptian planes, although reports from Tel Aviv and Cairo conflict as to whose territory was violated. Once started, the fight very likely progressed on both sides of the border. Aerial penetration by the UAR and Israel of each other's territory has been frequent of late, but has not resulted in combat.

Another incident may occur along the Israeli-Syrian border if the Israelis fulfill their intention of dispatching a work party into an ill-defined border area north of Lake Hula. A survey party with Syrian military escort is already there on the Syrian side and the appearance of the Israelis probably would draw fire.

There is continued evidence of precautionary military activity in Israel and the Syrian region of the UAR. The Israelis have been testing mobilization procedures, and there has been increased traffic of staff and command cars, along with three large trucks carrying assault bridging material, proceeding toward northern Israel. On the Syrian side, leave for military personnel in three provinces was canceled on 17 December until further notice.

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Syrian Economic Situation

There has been a heavy flight of capital from Syria, whose economy was badly shaken by the economic effects of last summer's Lebanese crises and more recently by the UAR Government's land reform program. Syrian Central Bank foreign exchange holdings, which fell 70 percent from January to July, are now apparently at the lowest level since 1951. In an effort to restore confidence in the currency, the Ministry of Economy issued a communiqué castigating "rumors spread by evil-minded people which have led people to rush to purchase foreign currency on the free market." The announcement probably will have the effect, however, of stimulating further sales of Syrian pounds for stable Western currencies. The government's announcement admitting the existence of the exchange drain, indicates the Syrian authorities view the situation as extremely serious.

[redacted] currency transfers already have exceeded the level reached during the Suez crisis. In Aleppo, the center of Syrian business life, the middle class and the business community are attempting to salvage what remains of their personal fortunes by converting assets and sending them out of the country.

Unemployment also apparently is reaching record proportions, although reliable statistics are lacking. In recent weeks, business firms and government organizations posting job openings have been deluged by thousands of applicants for each vacancy.

A poor agricultural crop and large unsold stocks of cotton have contributed to the general economic stagnation. An impending reform, unifying Syrian and Egyptian currency, is further dampening economic activity. While the situation has not yet reached crisis proportions, implementation of the land reforms and the approach of the currency union could result in harsh restrictive government controls over Syria's heretofore free-enterprise economy. The result could well be a rapid proliferation of government management at all levels of economic activity. [redacted]

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