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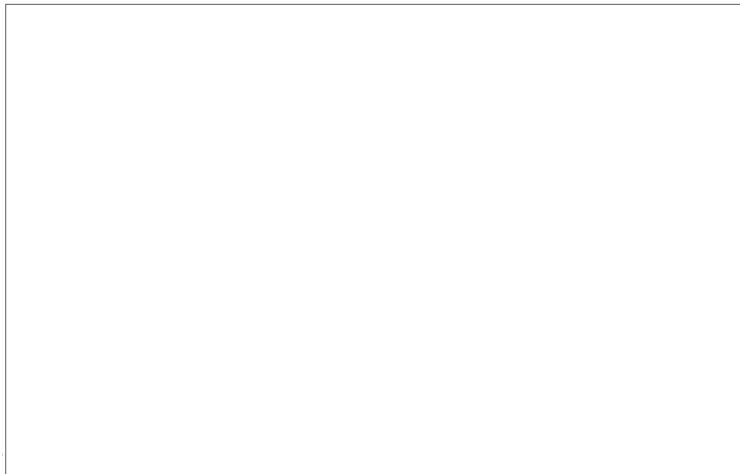
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## OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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## 1. HAMMARSKJOLD'S VIEWS ON UN ACTION ON SUEZ CLARIFIED

Secretary General Hammarskjold told UN delegate Wadsworth on 14 September that it would be futile to convoke the Security Council on the Suez issue merely on the basis of either side's complaints,

since that would lead only to a deadlock. However, he does believe the Security Council should be asked to invite a small number of member nations to set up a Suez committee charged with the limited task of exploring the possibilities of a settlement on the basis of the 1888 convention.

Hammarskjold had expressed the same opinions in a written response to a request from the Egyptian UN delegate for Hammarskjold's views on Egypt's 10 September proposal for a new negotiating body, rejecting as impractical either a conference of 45 nations or a "renewed conference of 22."

### Comment

These views suggest that Hammarskjold, despite his agreement that this is not the time for a Security Council meeting, is exploring the possibilities for some type of UN action, however limited.

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2. SOVIET OFFICIAL ASSURES [REDACTED]  
IS UNLIKELY

[REDACTED] THAT WAR

Comment on:

[REDACTED] Grigory T. Zaitsev, chief of the Middle East division of the Soviet Foreign Ministry, [REDACTED] agreed with the view that the Suez crisis will not lead to war against Egypt because the West "knows the seriousness of it in the atomic age!" [REDACTED]

[REDACTED] Zaitsev said the unwillingness of a majority of NATO members to approve anything which would lead to war and the disagreement within the British government itself were added deterrents.

Zaitsev's remarks, [REDACTED]

[REDACTED] indicate that Moscow continues to believe that negotiations can be prolonged as a means of forestalling military action against Egypt. The Soviet statement [REDACTED] suggested that Moscow might take the initiative in bringing the problem before the UN Security Council.

### 3. EGYPT'S UNFROZEN RESERVES OF HARD CURRENCY AND GOLD SUFFICIENT FOR PROLONGED PERIOD

[Redacted] Egyptian gold holdings and foreign assets not affected by the British, French and American freeze actions amount to about \$270,000,000, according to an official in the National Bank of Egypt who informed the American embassy. Two thirds of this total is gold, while the remainder is in foreign exchange and net balances against various countries, including about \$37,000,000 against the Soviet bloc.

#### Comment [Redacted]

[Redacted] These unblocked reserves and the gold would allow Cairo to pay for imports at present rates for about two years, even in the event of a complete Western boycott of the canal. Unless the imposition of Western economic sanctions causes Egypt to tighten import restrictions, Egypt's 1956 foreign exchange deficit will exceed its 1955 deficit of \$88,700,000.  
[Redacted]

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#### 4. CHINESE COMMUNIST PARTY CONGRESS

The Chinese Communist Party has used its Eighth Congress, which is still in session, to profess its devotion to collective leadership and to take a few steps in that direction. At the same time, the speeches at the congress reveal that the stature of Mao Tse-tung--described as the "great helmsman of the party"--has not been diminished.

While Mao clearly continues to dominate the party, the distance between him and other leaders is being reduced. Mao is apparently to remain as chairman of the central committee and politburo, but there are now to be several vice chairmen. One of these, rather than Mao, will probably head the new Standing Committee of the politburo. Moreover, Mao will probably be replaced as chairman of a new secretariat.

The congress provides fresh evidence that Liu Shao-chi remains the ranking Chinese Communist after Mao. While Mao himself delivered the main address at the previous party congress in 1945, he designated Liu to give it this time. Liu's status will probably be formalized by appointment as senior vice chairman of the party. Chou En-lai still appears to be in the third-ranking position.

Chou En-lai's speech on the Second Five-Year Plan (1958-1962) displayed Peiping's confidence that the present rapid rate of industrial growth can be maintained. Industrial output is to be increased by 100 percent, a rate comparable to that which will probably be accomplished under the First Five-Year Plan. Agricultural output is to be raised by 35 percent--a very optimistic goal that is considerably higher than the rate called for under the current Five

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Year Plan. Some Chinese ministries had earlier announced higher goals, but the USSR in August proposed reduction in Chinese economic plans, [redacted] Peiping's announced goals presumably have been co-ordinated with Moscow. [redacted]

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## 5. SOVIET-INDONESIAN COMMUNIQUE CRITICIZED IN INDONESIA

The joint Soviet-Indonesian statement signed in Moscow on 11 September appears to have become a highly controversial issue in Indonesia and a majority of the cabinet has joined in criticizing it. Political and press criticism centers on the failure of the statement to mention Indonesia's claim to Netherlands New Guinea and the fact that the statement itself appears to be a violation of Indonesia's independent foreign policy.

Two major cabinet parties--the strongly anti-Communist Masjumi and the vacillating Nahdlatul Ulama--have respectively "condemned" the statement and expressed "displeasure."

The press criticism has been countered by an emergency decree banning publications critical of Indonesian officials. The decree was promulgated on orders from Prime Minister Ali, whose National Party, which heads the coalition, has played down the joint statement as having "no significance." The Indonesian Communist Party has warmly endorsed the communique.

The joint statement pledged closer friendship between the peoples of the two countries, anticipated increased cultural and economic relations, and listed international issues on which the two governments hold similar views. Sukarno, now in Yugoslavia, will continue his Orbit tour in Czechoslovakia and Communist China, where he will participate in the anniversary celebrations on 1 October of the Peiping regime.

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**THE ARAB-ISRAELI SITUATION**  
(Information as of 1700, 17 September)

An Egyptian spokesman has charged that on 16 September an Israeli patrol crossed the demarcation line at Sabha, near the El Auja demilitarized zone, and clashed with an Egyptian patrol. No casualties were reported. American officials in Jerusalem reported a minor incident between Israeli and Jordanian patrols on 16 September.

Israeli army chief of staff Dayan said in a speech to army cadets on 17 September, "There is no other way to protect the lives of oil and water drillers on our borders than by setting a high price on their blood." Dayan said, "If we keep away from the border, it will cease to be our frontier!"

Israel is preparing a new note to the UN Security Council protesting the Egyptian ban on Israeli shipping through the Suez Canal, according to a press report from Jerusalem. (Press) *AP Jerusalem, 17 Sept.*