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18 February 1956

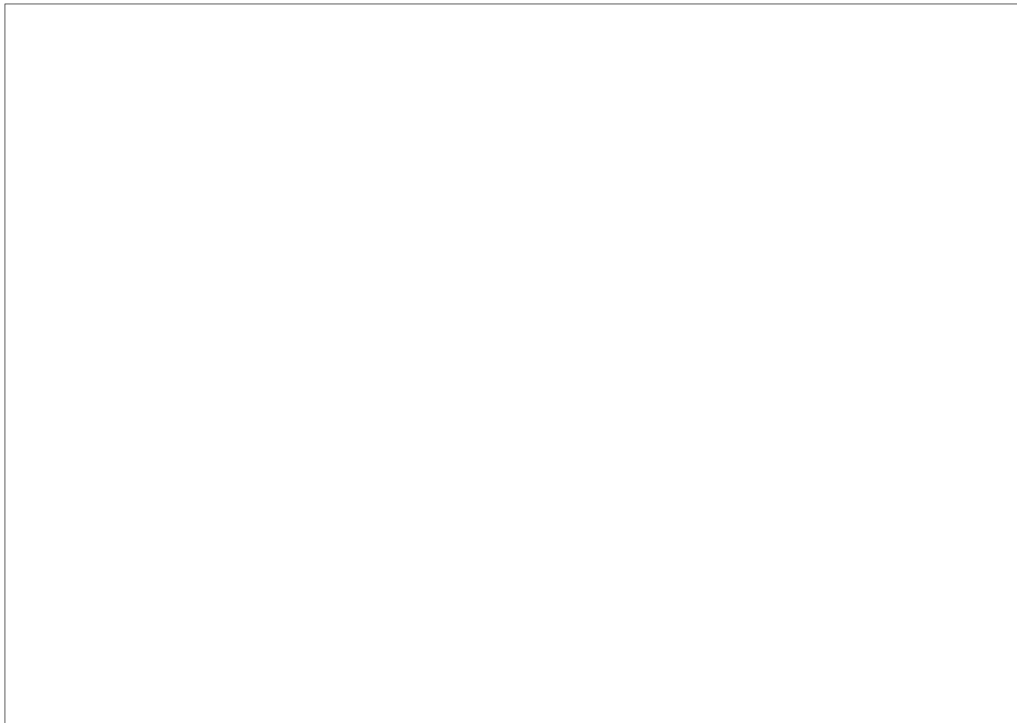
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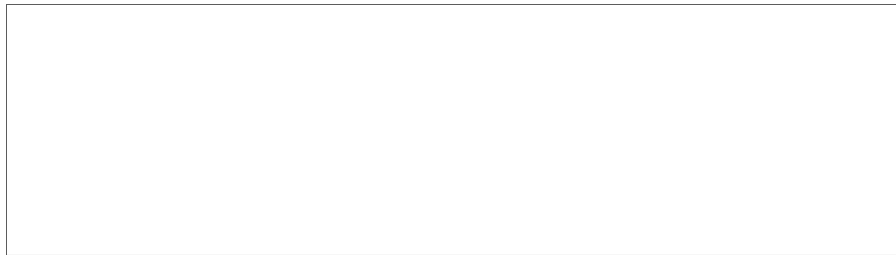
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1. ECUADORAN OFFICIALS REPORTED ON ARMS MISSION TO SOVIET BLOC

[REDACTED] Colonel Leonidas Hidalgo, Ecuadoran armed forces territorial commander now traveling through Western Europe [REDACTED] has been instructed to include Soviet bloc countries in his tour and to visit in particular Prague and Moscow, where he will observe demonstrations of various weapons [REDACTED]

Colonel Bolivar Pico Santos, Ecuadoran air attaché in London, reportedly is also visiting European countries on an official arms purchasing mission. The third secretary of the Czech legation in Quito has arranged to have him visit Prague and presumably also Moscow.

Comment

The top Soviet diplomatic officials in Mexico, who visited Ecuador last December, made "attractive" offers of arms on "easy" credit terms to the Velasco government, [REDACTED]

[REDACTED] Arms negotiations between Ecuador and Czechoslovakia have been under way for over a year, but apparently no firm agreements have been reached to date.

Ecuador has been engaged in an arms race with Peru, and has turned to bloc countries for arms and ammunition largely because of its inability to make purchases elsewhere on the terms it desires. [REDACTED]

[REDACTED] (Concurred in by ORR)

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2. JAPANESE TO PLACE GREATER EMPHASIS ON RELATIONS WITH PEIPING



Japanese diplomacy in the future will place greater emphasis on relations with Communist China, according to a Japanese press report of 14 February. The report asserted that the Japanese Foreign Ministry had concluded that Communist China can no longer be ignored, that there

is no likelihood of an uprising to unseat the regime, and that the Chinese people have the utmost trust and confidence in Mao Tse-tung's government. A ministry official has acknowledged that the story is an accurate version of a ministry "background study" which is not intended as a policy paper.

Meanwhile, another ministry official has informed the American embassy that he believes the Taiwan government cannot exist under its present leadership for more than two years, and that many Japanese officials are convinced some Nationalist leaders are negotiating with the Communists for favorable surrender terms.

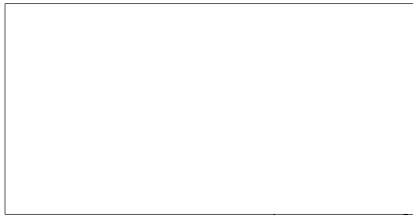
Comment

This apparently deliberate leak of proposed Japanese policy on Communist China is strikingly similar to an earlier release of an official paper which unfavorably compared American economic aid policies to those of the USSR.

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3. SOVIET JET HEAVY BOMBERS SIGHTED AT LONG RANGE AIR FORCE BASE



On 10 February Western air attachés observed five, possibly six, BISON jet heavy bombers on Bykhov airfield near Smolensk. Two BISON or BADGER jet medium bombers with wing-tip tanks were seen on the airfield southwest of Orsha, also in the western USSR.

Comment

This is the first reported observation of jet heavy bombers at airfields on which Long Range Air Force bomber units are based. It is currently estimated that two bomber regiments of the Long Range Air Force are equipped with a total of 38 BISONs and that more than 70 could have been produced by 1 January 1956.

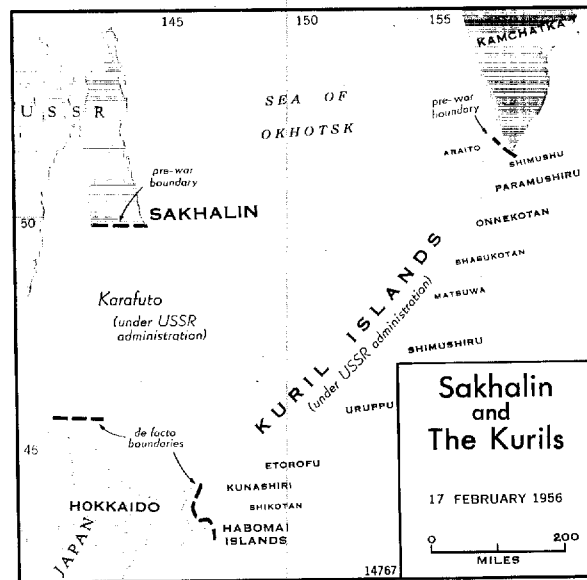
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4. SOVIET OFFICIAL IN TOKYO REPORTEDLY HINTS AT POSSIBLE RETURN OF KUNASHIRI

According to a report passed on to Prime Minister Hatoyama and the Foreign Ministry, Andrei Domnitsky,

chief of the unofficial Soviet mission in Tokyo, has hinted to Japanese fishing interests that the USSR might "under certain circumstances" return Kunashiri, one of the southern Kurils, but not Etorofu, where there is a major Soviet air base. Domnitsky also vaguely linked the status of Etorofu with that of the Ryukyus and Bonin Islands.



The embassy notes that Japanese resistance to a compromise on the territorial issue might collapse in the face of this latest Soviet tactic.

Comment

Soviet negotiator Malik's flat rejection on 10 February of any further discussions of Japanese territorial demands would seem to bar further progress on this issue in the London talks. Domnitsky's reported feeler may be an attempt to suggest to the Japanese that the USSR might be ready to make further territorial concessions if diplomatic relations are established.

Domnitsky's offer, if valid, would have great attraction for the Japanese, since they have previously suggested they would be willing to accept a status for the southern Kurils similar to that under which the Ryukyus and Bonins are administered by the United States.

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**5. CHINESE COMMUNIST CIVIL AIR SERVICE
SCHEDULED TO RANGOON BY APRIL**

[REDACTED] Peiping has formally notified Burma of its intention to begin scheduled civil air service from Kunming to Rangoon in April, [REDACTED]

Comment

A Sino-Burmese civil air agreement was signed last November.

In view of China's greater resources in trained personnel and equipment, it will have at least a temporary monopoly on this line. The establishment of this route places Communist China in a favorable position to extend air service in both South and Southeast Asia, particularly to India, with which the Chinese are trying to conclude an air agreement. (Prepared by ORR)

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**6. POLISH CIVIL AIR SERVICE TO BE EXTENDED
TO EGYPT**



According to a Warsaw broadcast of 15 February, an agreement was signed in Cairo recently setting up regular direct air services between Warsaw and Cairo.

Comment

This would be the only Soviet bloc air service to the Middle East and Africa.

Implementation of this agreement would require Polish air rights in Greece. Athens will have no basis for refusing these rights, since Poland and Greece are signatories of the International Air Services Transit Agreement, which grants reciprocal commercial overflight and landing rights for refueling purposes.  (Concurred in by ORR)

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7. USSR AND COMMUNIST CHINA REPORTEDLY MOVE TO EASE HUNGARIAN FOREIGN EXCHANGE CRISIS

[redacted] The Soviet Union has canceled half of the debt of approximately \$187,000,000 owed it by Hungary as payment for former German assets, [redacted]

[redacted] The USSR has also agreed to permit Hungary to suspend for one year payment on a \$2,500,000 loan.

[redacted] an official of the Hungarian National Bank, during a recent visit to Communist China, was able to arrange for a loan to Hungary of \$5,560,000 in pounds sterling from the Peiping government.

Comment [redacted]

Despite this aid, Budapest's foreign exchange situation remains critical, and the Soviet Union may be compelled to subsidize the Hungarian economy further by a large, long-term loan. Prior to the reported cancellation, Hungary owed the USSR \$340,000,000 and Western countries about \$229,000,000. [redacted] (Prepared jointly with ORR) [redacted]

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8. TUNISIAN UPRISING REPORTED SCHEDULED FOR MID-MARCH

[REDACTED] Nationalists will attack the French in Tunisia in about a month, [REDACTED]

[REDACTED] The Tunisians now have enough arms to equip 10,000 men. These arms have been supplied by Egypt, mainly by desert caravan.

The Tunisians hope the unified command now being formed for nationalist forces in all of French North Africa can direct uprisings in Morocco and Algeria, simultaneously with the one in Tunisia. They doubt, however, that this could be done within a month.

Comment

Tunisian extremist Salah ben Youssef, who is believed to be in Tripoli at present, probably is attempting to foment disorders in Tunisia prior to the general elections scheduled for 25 March. A Tunisian revolt on such a large scale, however, is not likely at this time.

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

Continuation of a small-scale selective call-up by Israel of reserve personnel and vehicles has been reported for the third successive day by the American military attaché in Tel Aviv. The attaché believes these actions are precautionary against Egyptian troop movements in Sinai. It is also possible that the call-up is part of normal training procedure. [REDACTED]

A number of Syrian air force officers are training in the use of MIG-15 jet fighters at Egyptian military airfields, [REDACTED] this training is being given because of an agreement that in the event of an Arab-Israeli war Syria will receive Soviet aircraft. [REDACTED]

The American embassy in Damascus has been informed that gasoline distributors in Syria have been warned by the government that the entire output of 64 octane fuel of the country's leading refinery is reserved for the Syrian army for the remainder of February. The sources of this information agree that the purpose of this move is to permit the army to build up its gasoline reserves against a possible outbreak of hostilities. [REDACTED]

The Lebanese foreign minister told the American ambassador in Beirut on 13 February that no Arab government could now support the Johnston plan for the development of the Jordan river valley and remain in office. The foreign minister urged that the United States give more consideration to the "Arab plan," arguing that this might make the difference between war and peace. [REDACTED]

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