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16 March 1956

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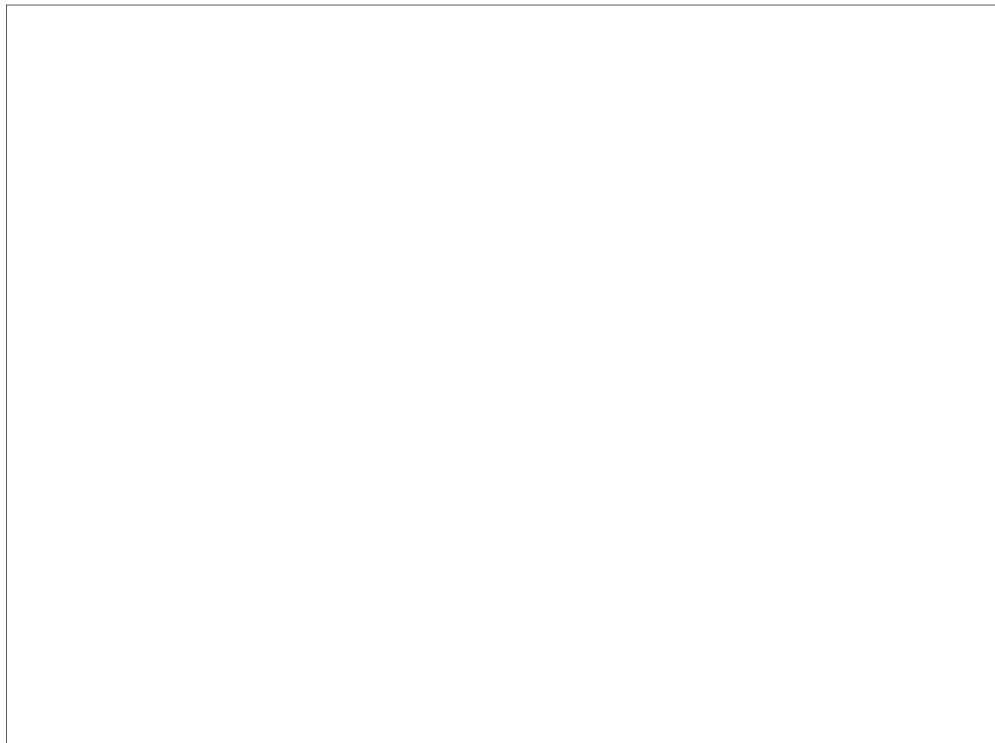
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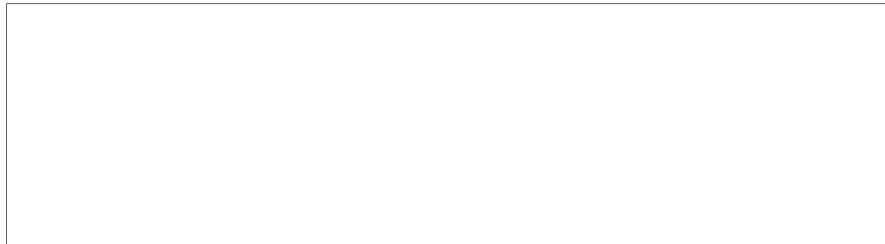
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1. USSR POSSIBLY DEVELOPING AN ATOMIC-POWERED SUBMARINE

Comment

On 12 February Pravda announced that a Soviet shipyard had begun preparations to construct an atomic-powered icebreaker scheduled in the Sixth Five-Year Plan. Production of such a vessel would involve approximately the same technological skills necessary to produce an atomic-powered submarine.

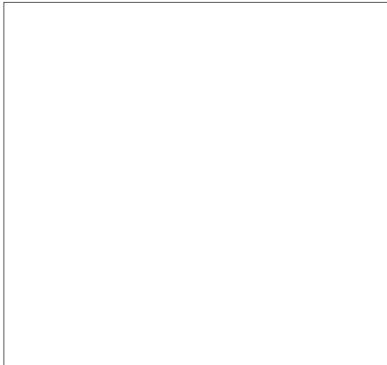
Soviet delegates to the Geneva "Atoms for Peace" conference in 1955 provided sufficient evidence of Soviet progress in the development of industrial and research reactors to indicate that a Soviet reactor suitable for submarine propulsion could be in an advanced state of development.

In view of the tremendously increased effectiveness of nuclear-powered submarine over conventional units, it appears likely that when experimentation is completed, a production program of nuclear-powered submarines will supplant at least a part of the present large-scale "W"- and "Z"-class submarine programs.
(Concurred in by ORR and OSI)

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2. JAPANESE-SOVIET NEGOTIATIONS SEEN REACHING TURNING POINT



The Japanese Foreign Ministry reportedly believes that the next meeting of the Japanese and Soviet negotiators at London, on 17 March, will be a turning point at which Tokyo must decide whether to accept Moscow's proposals or recess the talks indefinitely. General agreement has been reached on

all major issues except that of territory, and Soviet delegate Malik has asserted that if Japan will be satisfied with the unconditional return of Shikotan and the Habomai Islands, the unresolved question of naval navigation of the Japan Sea will "settle itself."

Malik emphatically asserted on 10 February and again on 9 March that the question of the return of Sakhalin and the Kurils is closed as far as the USSR is concerned. However, in mid-February the Soviet chief of mission in Tokyo, who has served as an intermediary for informal approaches to Japan, hinted that "under certain circumstances"--probably a reference to US return of the Ryukyu and Bonin Islands--the USSR might make further concessions in the Southern Kurils.

Reports indicate that the Japanese may base their final decision on the results of their talks with Secretary Dulles on 18 and 19 March. This suggests that Tokyo may seek an American commitment to return the Ryukyu and Bonin Islands in order to bolster Japan's bid for the return of the Southern Kurils. 

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~~TOP SECRET~~**3. SHAH DISCOURAGED OVER AMERICAN AID OFFER**

[REDACTED]

The Shah considers an American aid offer to Iran of \$20,000,000 for budget assistance unacceptable, [REDACTED]

[REDACTED] He reportedly says he must cancel plans for improving the Iranian army and for expanding badly needed social services.

The Shah stated that when he visits the Soviet Union later this year, he will be unable to counter Soviet allegations that the West is "leading him down the garden path." He asked, "What can I tell my people if the Russians offer gifts?"

He also told an American embassy official that the United States probably would not give sufficient aid "until you have a Nasr where I sit." [REDACTED]

Comment

The Shah has been expecting a large increase in American aid since Iran joined the Baghdad pact in October 1955. During his recent trip to India, he told American officials that he hoped for \$75,000,000 a year for the next three years.

[REDACTED]

[REDACTED] Iran might ask an additional \$35,000,000 grant to meet even larger budget deficits than expected.

The Shah's discouragement may lead to a slackening of his efforts toward financial reform and may bring increasing neutralist pressure to accent any proffered aid from the Soviet bloc. [REDACTED]

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4. NASR REVIEWS NEAR EAST PROBLEMS

[REDACTED]

In the course of a general review of pressing Near Eastern problems, Egyptian prime minister Nasr told Ambassador Byroade he did not believe there will be war between Israel and the Arab states. Nasr categorically stated, on his word as a soldier, that Egypt would not start a war, and said he believed Arab strength would keep the Israelis from starting one.

Nasr said he has reliable reports that Israel is receiving considerable materiel, other than aircraft, from Europe. He also quoted Israeli sources regarding extensive Israeli recruiting activity in Europe, Latin America and South Africa. He said that if Israel obtained pilots by this means, Egypt might have little alternative to recruiting similar "volunteers" from outside the Arab world.

The prime minister saw little prospect for immediate action on the Johnston plan for Jordan valley development. The principal obstacle, in his view, is Syria, where extreme nationalism and army meddling in politics have created a dangerous situation. Nasr said he felt strongly that something should be done about Syria, but was at a loss to say what.

Comment

Nasr's comments appear to be closely tailored for Western consumption. His "no war" statement in particular is probably designed to counter the publicized British accusation that recent Arab actions have increased the danger of war. While the Egyptian air force is short of pilots, the statement regarding the possibility of recruiting foreign "volunteers" for the air force is probably designed to encourage the West to place restrictions on Israeli recruiting.

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5. POLISH PEOPLE PRIVATELY REJOICE AT DEATH OF BIERUT

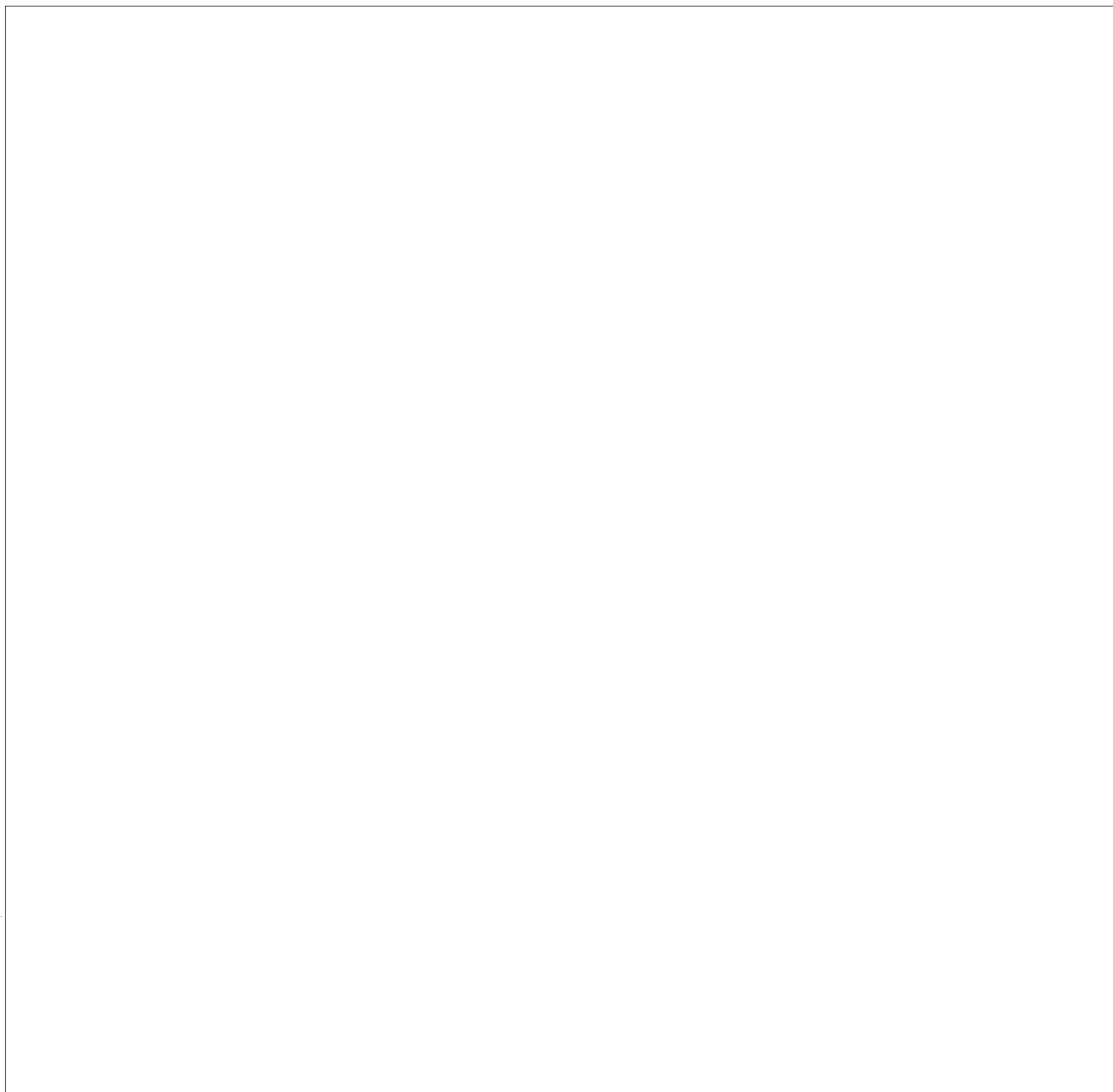
The Polish people, most of whom are rejoicing privately over the death of First Secretary Bierut of the Polish United Workers (Communist) Party, are mystified over the suddenness of his death and suspect that it was due to unnatural causes, according to the American embassy in Warsaw. They note that although Bierut allegedly had been ill since late February, no public mention or indication of his illness was made until his death on 12 March.

Comment The Polish reaction toward Bierut's death is symptomatic of the widespread hatred of the Communist regime, despite its adoption of more moderate policies since Stalin's death and its effort to instill popular confidence in its actions.

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**6. PRO-PATHET ASSEMBLYMAN EXPLOITS LAOTIAN
POLITICAL CRISIS**



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7. PROMINENT SINGAPORE CHINESE MAY VISIT PEIPING

[redacted] A Chinese Communist "team" arrived in Singapore on 11 March to invite the president, vice president, and six other leading members of the local Chinese Chamber of Commerce to make an expense-paid tour of Communist China, [redacted]

[redacted] Peiping's emissaries apparently were anxious that such a delegation be in China next month at the same time Singapore's Chief Minister Marshall is in London negotiating for the colony's political independence.

[redacted] influential members of the local Chinese Chamber of Commerce are divided on whether to accept the invitation, and that the British governor, who has been informed, has not yet commented.

[redacted]

Comment British authorities in Singapore and Malaya heretofore have not permitted Chinese traveling to Communist China to return. By inducing "respectable" businessmen to visit China at this time, Peiping could reasonably hope to embarrass the British as well as enhance Peiping's rapidly growing prestige among the local Chinese.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 15 March)

Israel, according to the Arab Legion, began plowing portions of "long-disputed land" between the Jordan and Yarmuk Rivers on the morning of 14 March. The area is probably the Naharayim area where the Yarmuk flows into the Jordan, an area in dispute between Jordan and Israel since the 1949 armistice. Israel probably hopes to bolster its claim to the land by putting it to use

[Redacted]

All Israeli army units south of Beersheba, except one reinforced company within the El Auja demilitarized zone, and units at Eilat, on the Gulf of Aqaba, were withdrawn to the Beersheba defense line during the night of 7 March,

[Redacted]

[Redacted] Israel may feel that such a withdrawal



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is necessary to support Israel's demand for UN investigation of Egyptian troop concentrations near the Israel border which Israel claims are in violation of the armistice agreement. [redacted]

✓ Israeli reservists not already on active duty have been placed on an alert status, [redacted]

The director general of the Israeli prime minister's office predicted to Ambassador Lawson on 14 March that Israel would have to try to obtain jet airplanes from the Soviet Union unless "some arrangement could be worked to obtain them from the West within the next week or two." Prime Minister Ben-Gurion reportedly is skeptical that the USSR would make jets available, but feels the attempt must be made if only for the record. [redacted]

Some 110 Israeli naval personnel are to leave by air for England on 19 March to complete the completion of the 2 Israeli destroyers now fitting out there [redacted]

[redacted] King Saud has told the Yemeni ambassador that the first shipment of airplanes and anti-aircraft guns would be sent to Saudi Arabia "next week." The ambassador added that Saud recommends Yemen's "entrance into the alliance." [redacted]