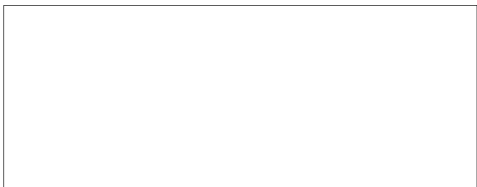


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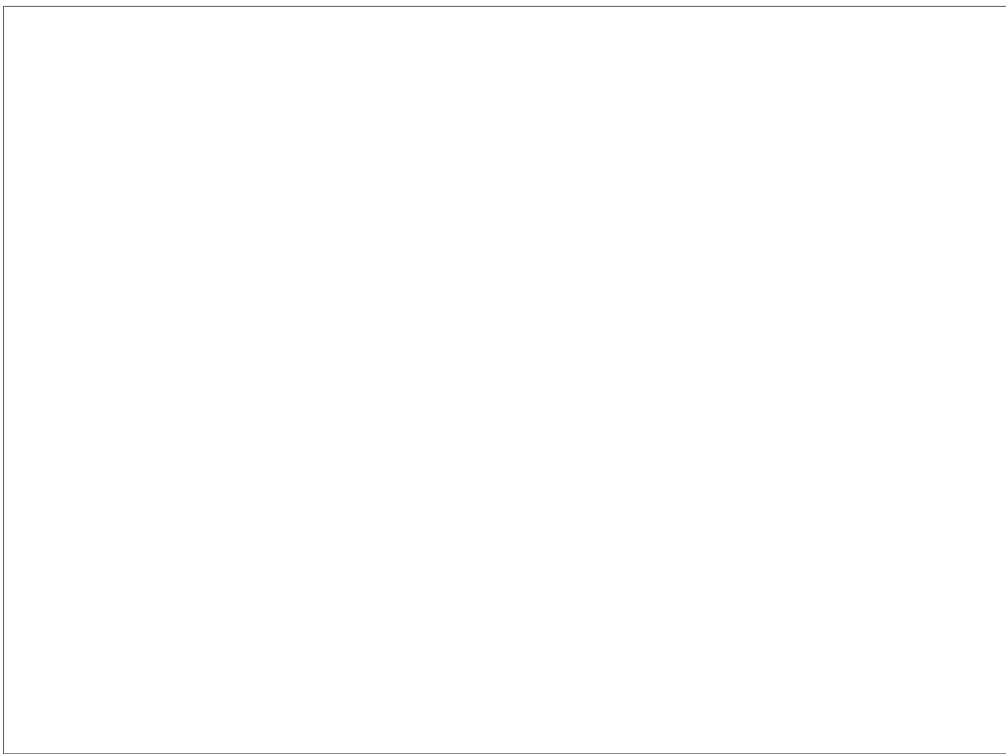
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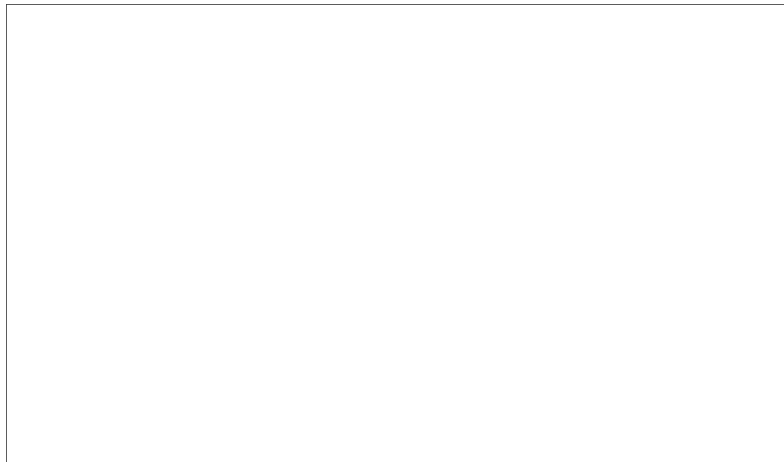
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1. EDEN PROPOSES USERS' ASSOCIATION FOR SUEZ

Eden's announcement before the House of Commons of plans for a users' association to control transit through the Suez Canal has been quickly followed by signs that transit may break down within a few days.

In Egypt, a spokesman for a majority of the non-Egyptian pilots announced they plan to quit Friday night. In anticipation of an early breakdown in traffic, British oil companies in London announced a halt to the chartering of tankers carrying oil from the Persian Gulf to Britain.

Foreign Minister Pineau on 12 September told Ambassador Dillon that the old canal company had agreed to keep those pilots who return to France available for the new users' association, and is already sending to Cyprus 60 pilots who have completed their vacations in Europe and have not returned to work.

Faced with Laborite demands for his resignation, Eden announced he would seek a vote of confidence on the proposed users' association. Laborites were evidently particularly disturbed by Eden's statement that Britain has no intention of relaxing its military build-up in the eastern Mediterranean since military action may still be necessary.

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2. SUEZ PILOT SITUATION

[REDACTED]

Cairo apparently intends to keep canal traffic moving if possible despite the expected departure at the end of this week of the bulk of the pilots. The Egyptians presumably hope to be able to utilize fairly quickly the services of new pilots now being recruited. [REDACTED]

[REDACTED] 30 pilots are available from the USSR, about a dozen from the European Satellites, 10 from Yugoslavia and 10 to 15 from Greece. Press reports have in addition referred to some 40 Chinese Communists, about 100 Western Europeans, and a sprinkling of Indians and Japanese as interested in Suez jobs. [REDACTED]

[REDACTED]

Should the Egyptians find that available pilots cannot keep ships moving through the canal at something close to their present rate of about 30 to 45 per day, they may enforce their 31 August order that all ships must pay tolls in Egypt in Egyptian pounds, and close the canal to ships which refuse such payment. This might reduce traffic to a volume that could be handled by a much reduced pilot corps. In view of the danger that such action might be used by the French and British as justification for military action, however, it seems unlikely that Cairo would adopt such a plan except as a last resort. [REDACTED]

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3. NASR SAYS REVOLUTION PLOTTED IN SYRIA

[REDACTED]

[REDACTED] Nasr claimed that some American embassy officials in Beirut, the rightist Syrian Social Nationalist Party, and Syria's former dictator Adib Shishakli were involved in the plot. Nasr added that he sends the Syrian government all the information he receives on the plot.

Comment

Shishakli was in Lebanon in the early summer reportedly planning a return to power. His coup did not materialize, however, and he was last reported to be in Paris. A small Iraqi force has been stationed near the Syrian border since July.

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4. SHAH OF IRAN SUPPORTS US ON SUEZ CRISIS

[redacted]
[redacted] The Shah of Iran feels that Egyptian president Nasr must go, but opposes the use of force on the Suez issue, [redacted]
[redacted]

[redacted] The Shah apparently favors the stand taken by the United States, and believes it advisable to give Nasr "enough rope to hang himself!"

The Shah said he would try "to open King Saud's eyes" to the threat Nasr poses to other Arab countries on his visit to Riyadh in the winter of 1956-57. [redacted]

Comment

[redacted] the Shah urged Saud to "give the necessary advice. . . to the president of the Egyptian Republic" to prevent Communist exploitation of the Suez crisis; Saud answered only that he was doing everything within his power "for reconciliation and peace!"
[redacted]

5. REPORT CLAIMS VENEZUELAN TROOPS WILL TAKE OVER ARUBA ON 15 SEPTEMBER

According to a report received by the American consul on Aruba, revolutionary action on the island will be sparked by a strike at power and water

plants at midnight on 15 September. The report asserted that within four hours, ten companies of Venezuelan troops would arrive to take over on the pretext that the government has lost control.

The local police have informed the American consul that they would be powerless in the face of the reported plan, but additional Dutch police and marines are on the way to the island.

The consul notes that Irausquin, president of the Aruba legislative council, and Jonckheer, another political leader on Aruba, have had private meetings with the Venezuelan president in recent months. He adds that Venezuelan troop maneuvers with ferry boats have recently taken place in Venezuela on the Paraguana Peninsula, 15 miles from Aruba.

Comment

Despite nationalist sentiment in Venezuela which advocates the eventual incorporation of the island into Venezuela, there is no indication that Venezuela has ever contemplated direct armed action against the island.

Irausquin has been known as the chief advocate of closer economic relations between Aruba and Venezuela. He sponsors a workers' group which early this month reportedly planned to seek recognition as a union at the Lago refinery on Aruba. The refining facilities on Aruba are second only to those of Abadan, Iran, and, according to a July 1956 US navy report, supply over 50 percent of the fuel for the US navy and air force.

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**6. U NU GOING TO PEIPING TO DISCUSS SINO-BURMESE
BORDER DISPUTE WITH CHOU EN-LAI**

[REDACTED] Former premier U Nu has agreed to go to Peiping to discuss the Sino-Burmese border dispute with Chou En-lai at the latter's convenience, [REDACTED]

[REDACTED] Nu will make the trip in an unofficial capacity and will not represent the Burmese government in his discussions with the Chinese.

Comment The proposal that Nu undertake this mission was apparently first advanced by the Burmese ambassador in Peiping in late August and agreed to by Chou. Its subsequent endorsement by Indian prime minister Nehru probably was instrumental in causing Rangoon to move forward with the project.

 The stress put on Nu's unofficial capacity indicates that he will go to Peiping to probe Chinese Communist intentions without prejudicing the firm position taken on the border problem by Prime Minister Ba Swe.

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7. BELGRADE MAY ADOPT ATTITUDE MORE CRITICAL OF SOVIET BLOC

According to British ambassador Roberts and other Western diplomats in Belgrade, Yugoslav leaders, including Vice President Kardelj, now realize

they have "gone too far" in their uncritical sympathy with the Soviet bloc and in their disregard of the West's criticism of Yugoslavia's posture.

Specifically, Yugoslav foreign under secretary Prica told Roberts that the USSR's unfavorable press treatment of Yugoslavia's recent trials of former "Cominformists" had caused the Yugoslavs to question their interpretation of "favorable developments in Eastern Europe." Prica said that a recent Yugoslav editorial attacking Cominform supporters, which had mentioned "various foreign papers," had in fact been directed specifically at Pravda. The latter had inaccurately reported the trials, and had sparked a series of articles on Yugoslav policy throughout the Satellites.

The American embassy notes that this is the first significant issue on which Belgrade has challenged Moscow since the joint Yugoslav-Soviet declaration in June.

Comment

The dispute over the Cominformist trials harks back to the question of who was at fault in the 1948 Tito-Soviet split, hence is part of the large controversy between Belgrade and Moscow concerning the meaning of "national Communism." Belgrade feels that if Moscow means what it says about "many roads to socialism,"

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the trial of Yugoslav Cominformist "traitors" is none of Moscow's concern. The Yugoslavs were probably dissatisfied with the midsummer Soviet statements about the need for international Communist unity, especially since one Pravda editorial in mid-July attacked the "national Communism" concept by name.

The "many roads to socialism" concept and its concomitant, Satellite independence from Moscow, will probably be a long-term subject of pulling and hauling between Belgrade and Moscow. Although for the present the dispute does not appear serious enough to endanger the basic rapprochement, the Yugoslavs may take a less pro-Soviet line to obtain further concessions toward Satellite independence. This would have the corollary advantage of impressing the West that Belgrade is not being "taken in" by the USSR.

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8. HONDURAN CHIEF OF STATE RESIGNS



Julio Lozano resigned as de facto chief of state of Honduras on 11 September after a second heart attack. Former president Juan Manuel Galvez, though reluctant, will probably agree to assume control of the government. Foreign Minister Mendoza believes the elections for a constituent assembly, set for 7 October, may now be postponed.

Comment

Galvez was a popular president, enjoys the support of key army officers, and will probably be able to maintain public order in a period of transition from de facto to constitutional government. He shares with Lozano the goal of forming a three-party constitutional government and may be able to reach agreement with political elements recently antagonized by Lozano.

An indefinite postponement of the constituent assembly elections might increase political discontent.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 12 September)

Jordan charged on 12 September that Israeli troops crossed the frontier during the night and killed 19 Jordanians in an attack on a police post and that four additional Jordanians were killed when reinforcements attempted to reach the post. The Israeli attack took place south of Jerusalem in the area where the Jordanians killed six Israeli soldiers and wounded three on 10 September. [redacted]

A clash was also reported on the generally quiet Lebanese border. An Israeli spokesman reported that one Israeli soldier was wounded when a Lebanese patrol crossed the border and opened fire. It is unlikely that the alleged "Lebanese patrol" was part of the regular Lebanese army. The attack may have involved Egyptian-sponsored fedayeen or have stemmed from another of the "family quarrels" which frequently ignore local political divisions. (Press) *Jerusalem, 12 Sept*

The Israeli cabinet was called into special session on 11 September to discuss foreign affairs and the nation's security, according to a press report from Jerusalem. There was no official announcement of the agenda, but the meeting may have been prompted by the recent increase of border incidents and by the Suez crisis. (Press)

[redacted] the Soviet Union has agreed to sell radar and infrared equipment to Syria. Syria probably wants infrared equipment to counter Israel's successes in night military operations. [redacted]