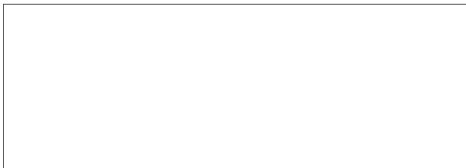


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11 September 1956



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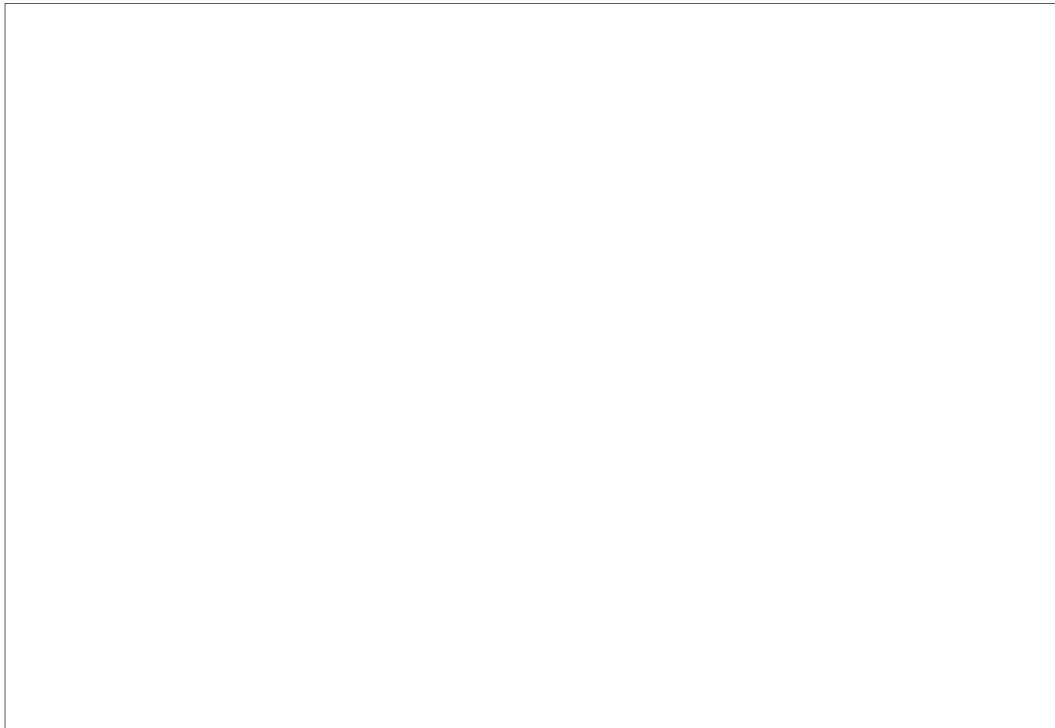
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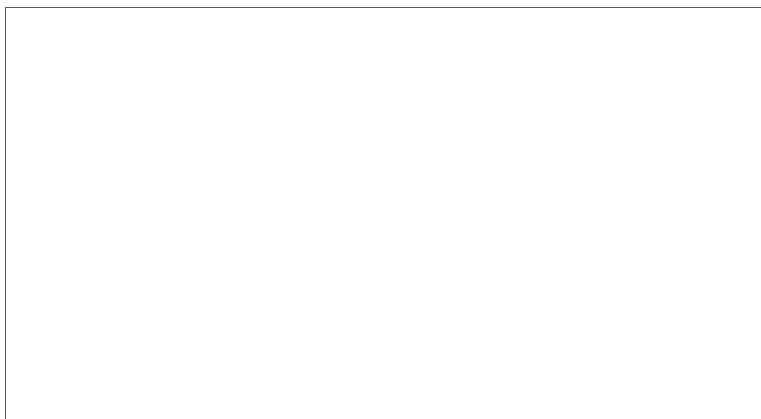
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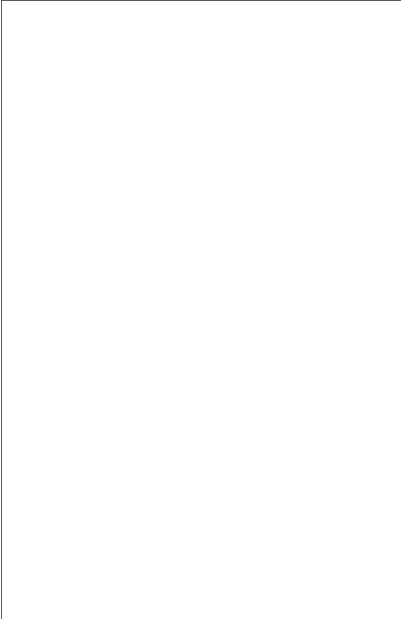
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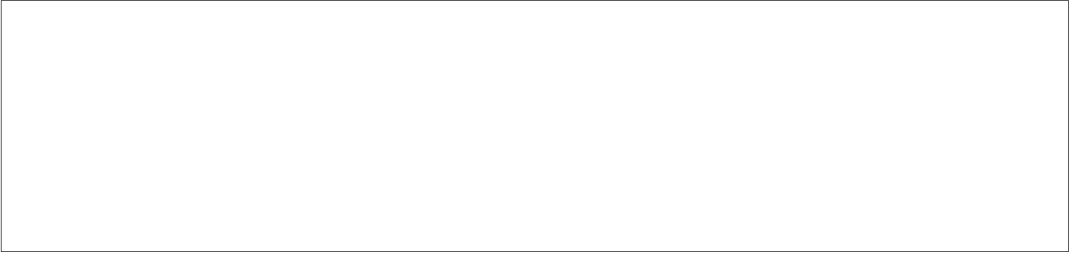
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1. MOSCOW TERMS US CONTROL OF PANAMA CANAL ILLEGAL



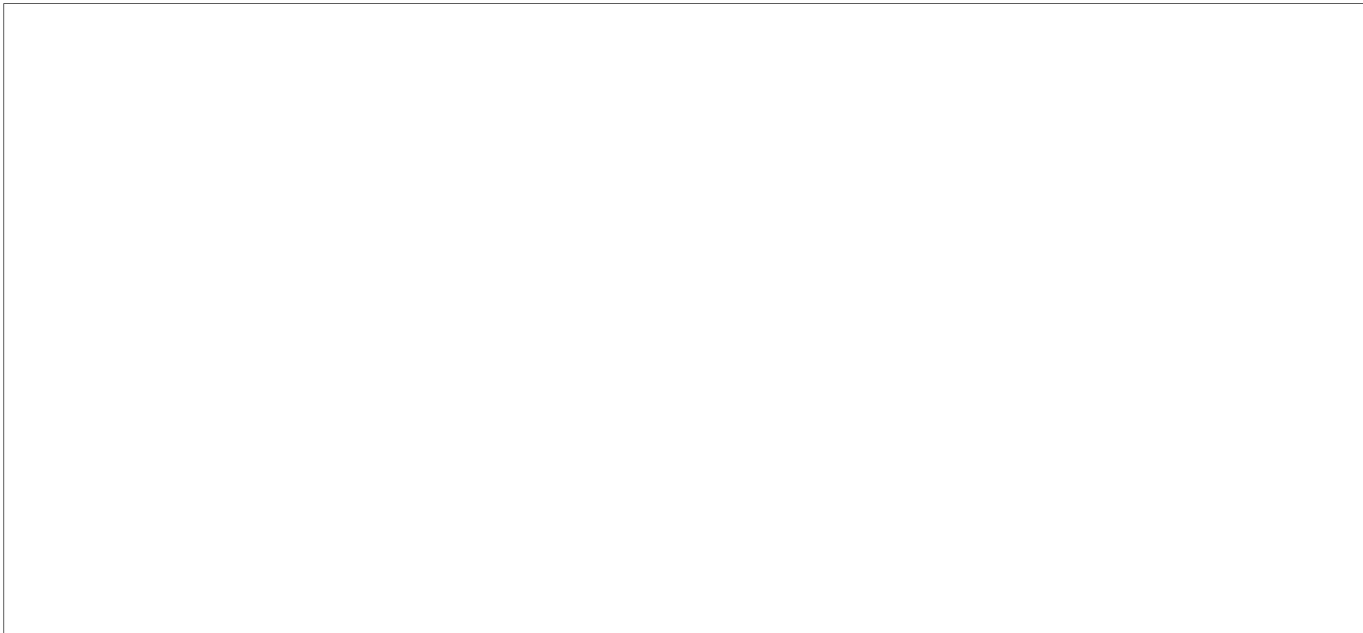
A long Izvestia article on 7 September quoting the authoritative Soviet publication International Affairs argues that the Republic of Panama is the proper owner of the Panama Canal and states that American "pretentions" that the canal is an American waterway are "illegal." The article refuses to accept the distinctions made by Secretary Dulles on 28 August, between Panama and Suez nationalization, and compares the Panama Canal with American bases in Britain. Moscow broadcast a summary of the article to Latin America.

Before the London conference, the USSR in commenting on Suez on several occasions referred to the Panama Canal and other international waterways as proper subjects for internationalization, but during and since the conference has made few references to other waterways.

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2. NEHRU ADVISES CAUTION IN SINO-BURMESE BORDER DISPUTE



Comment

Burma, which has been attempting to line up international support for its position in the border dispute with China, was doubtless counting heavily on India to be its chief source of moral and material assistance. Nehru's equivocation could weaken Prime Minister Ba Swe's determination to maintain an uncompromising stand in subsequent negotiations with Peiping regarding the border problem.

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3. CHOU EN-LAI REPORTEDLY PLANS SWING THROUGH SOUTHERN ASIA

[REDACTED] Chinese Communist premier Chou En-lai will visit North Vietnam, Laos, Cambodia, Burma, India and possibly Nepal in November and December. [REDACTED]

[REDACTED] the tour may be extended to include Indonesia, Ceylon, Pakistan and Afghanistan.

Comment

[REDACTED]

The Chinese have been working steadily for better relations with the other countries on Chou's reported itinerary.


His extended trip would provide an opportunity to deal with a number of problems in southern Asia. Outstanding among these is the current border dispute with Burma, which has produced an unfavorable reaction throughout the area.

Chou will probably also seek to reduce Indonesian dissatisfaction with some provisions of the dual nationality treaty negotiated last year and will attempt to capitalize on recent Chinese Communist efforts to establish closer ties with Laos and Cambodia.

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4. COMMUNIST CHINA BUILDS FIRST JET PLANES

 Peiping radio announced on 8 September production "on an experimental basis" of its first jet planes. The Chinese claim with the assistance of Soviet experts to have completed trial production of a "new type of jet aircraft" 17 months ahead of schedule. Mass production is to follow "soon."

Comment

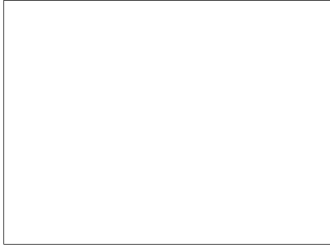
An all-out program with Soviet support has been under way since 1955 or earlier. The new aircraft plant which reportedly has recently been completed at Mukden will probably be the site for future series production of jet aircraft.

Final assembly of the air frames was probably accomplished by the Chinese from Soviet subassemblies. The test aircraft are undoubtedly equipped with Soviet electronics gear, instruments and other components. The jet engines, however, may have been mainly of Chinese manufacture, since Peiping announced last June that it had succeeded in the "trial production" of jet engines. 

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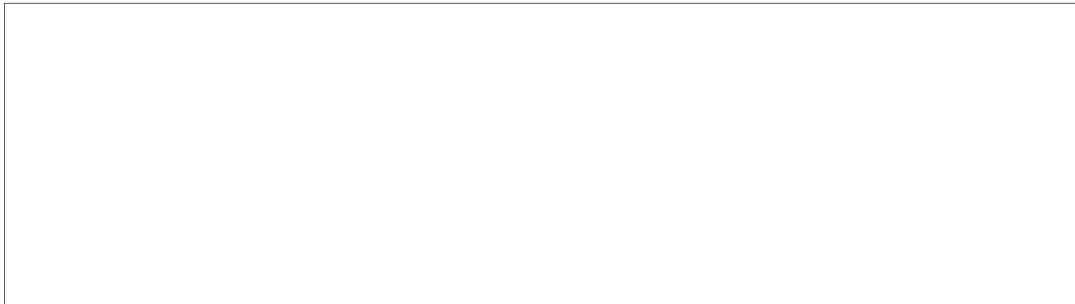
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5. RUMORED PURGE OF NUMBER-TWO CHINESE COMMUNIST LEADER



Chinese Nationalist newspapers have begun speculating that Liu Shao-chi, Mao Tse-tung's principal lieutenant in the Chinese Communist hierarchy since 1945, has been purged. [redacted] noting Liu's absence from public functions since 5 August, surmise that the purge will be announced at the 8th Congress of the Chinese Communist Party, scheduled to open in Peiping on 15 September.

Maneuvering among Mao's lieutenants for the top positions in a "collective leadership" may well have begun, and there is an outside chance that Lieu has already lost out. His five-week absence, however, is not excessively long for a Chinese Communist official. It can logically be explained by the press of business immediately prior to the opening of the party congress, in which he is expected to play a major role.

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~~SECRET~~**6. HUSSAIN MAY POSTPONE JORDANIAN ELECTIONS**

[redacted] King Hussain has decided, on the basis of discussions with security officials, to postpone indefinitely Jordan's lower house elections now scheduled for 21 October, [redacted]

[redacted] The king also reportedly plans to suspend all licensed political parties.

Although unconfirmed, [redacted] recent indications that the king and government are increasingly concerned over the prospect of ultranationalist gains in the elections. The [redacted] this concern has also been expressed by a growing body of moderates.

Comment

The pretexts for postponement of the elections would presumably be the Suez crisis and the critical situation on Jordan's border with Israel.

Preliminary indications suggest that elections for the 40 seats in Jordan's lower house, if held, would increase anti-Western influence in Jordan's legislature and possibly encourage antimonarchical elements.

Instability would also be increased, however, if Hussain were to postpone elections, since the elections are particularly desired by most political leaders in West Jordan, the recently annexed Palestinian territory, which has over half of Jordan's population.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 10 September)

Jordan charged that an Israeli military force, estimated at 100 men, penetrated 200 yards into Jordan on the morning of 10 September and opened fire on Arab farmers and a Jordan National Guard patrol about 22 miles southwest of Jerusalem. Jordan claims that after exchanging fire for one and one half hours, the Israelis withdrew leaving six dead in Jordan. Jordan admitted one man wounded. Subsequently a spokesman for the UN truce supervisory organization stated that two Israeli soldiers were missing and one wounded as a result of the clash.

[REDACTED]

Infiltrators, meanwhile, dynamited a section of the Tel Aviv-Beersheba rail line in southern Israel, 12 and one half miles north of Beersheba, on the night of 9-10 September. This is the first such incident in several months. Tracks of the infiltrators were lost inside Israel and the location of the incident is such that they could have come from either Egyptian or Jordanian territory.

[REDACTED]

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