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21 August 1956




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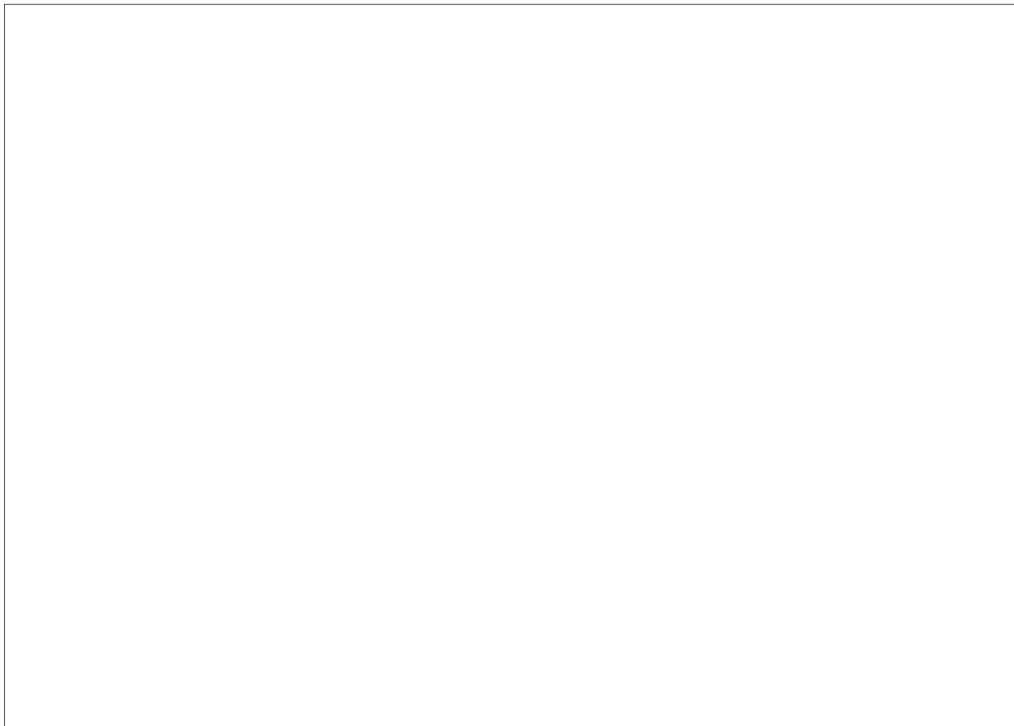
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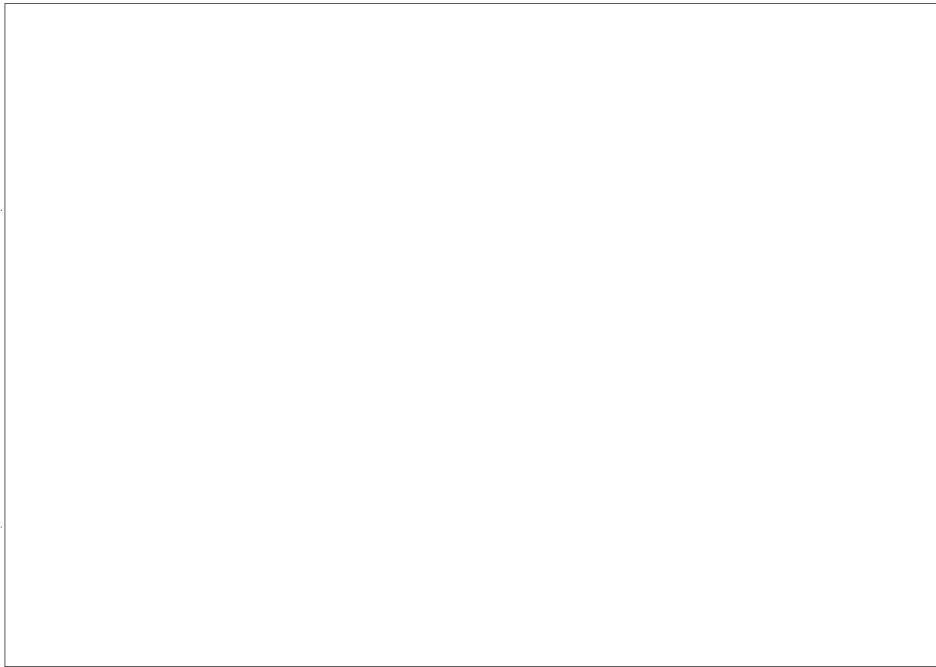
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[REDACTED] (page 13)

1. USSR PROMISES EGYPT TO OFFER ALTERNATIVE TO INDIAN PROPOSAL ON SUEZ

[Redacted]

Egyptian officials in London and Soviet representatives at the London conference decided, following submission of the Indian compromise proposal on the Suez, that it would be necessary for the

USSR to "present a plan on the basis of the Egyptian point of view."

[Redacted]

Comment

Menon's plan proposed revision of the Convention of 1888 and establishment of an advisory council of user nations which the Egyptian canal company would be obliged to consult. The company's annual report would also be transmitted to the United Nations.

Despite the fact that the concept of a consultative council appears agreeable to Nasr, the council's role under the Indian plan may have seemed dangerously undefined to the Egyptians in London.

A Soviet plan drawn up in agreement with the Egyptians probably would incorporate the main features of the Indian proposal, but with a special eye to Nasr's requirements for limiting international participation in Suez affairs. The USSR, in presenting its proposal, would be on record as acting directly on Egypt's behalf.

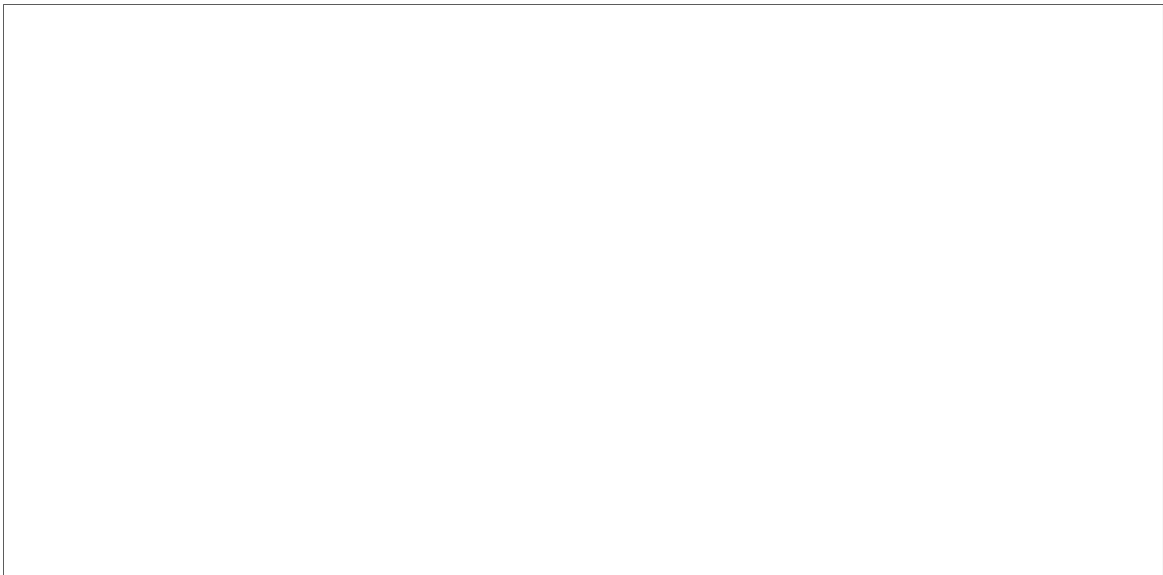
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**2. NASR REPORTEDLY WOULD ACCEPT 12-NATION  
OVERSEER BOARD ON SUEZ**

Nasr is willing to accept a compromise on the Suez Canal issue which would include a 12-nation commission to oversee operation of the canal, but which would have no direct operating responsibility.

The suggested commission would be composed of six permanent members chosen from the major maritime powers and six members chosen in rotation from among the "lesser powers."

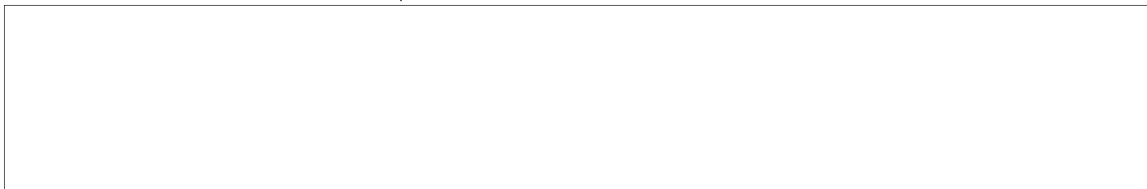
### 3. PANAMA SEEKS VOICE IN CANAL OPERATIONS

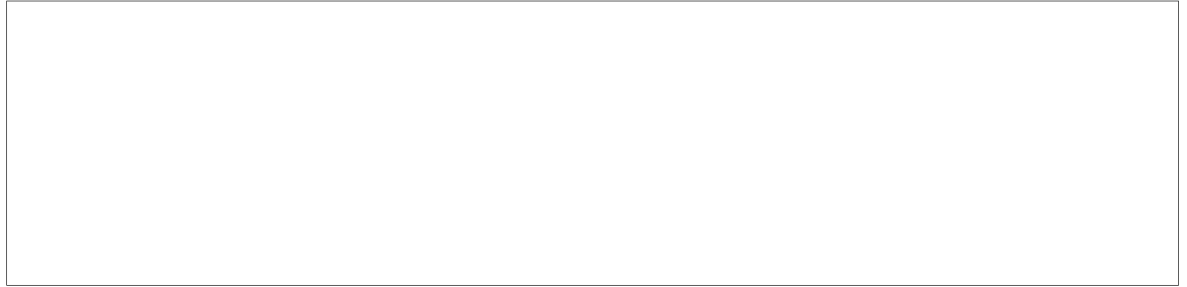


#### Comment

What appears to be Panama's ultimate objective of achieving participation in the operation of the canal is demonstrated in the current protracted negotiations on the United States proposal to establish radar sites in Panama to assist in the defense of the canal. Panama has balked at fulfilling treaty commitments which permit the establishment of defense sites in Panamanian territory and wants an entirely new agreement for the sites. The immediate Panamanian objective appears to be to weaken US treaty rights and establish the basis for future Panamanian claims to "partnership" in the operation of the canal.

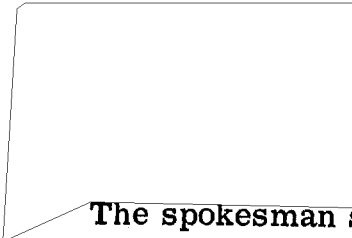
Panama has shown an intense interest in the Egyptian nationalization of the Suez Canal and undoubtedly hopes the Suez crisis will result in an international agreement which Panama could later use in asserting its "rights" in the operation of the Panama Canal.





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#### 4. MOLLET MAY RESIGN IF SUEZ OUTCOME UNSATISFACTORY



Premier Mollet's personal spokesman told American officials in Paris on 16 August that Mollet feels he would have to resign if the Suez crisis were not resolved to France's satisfaction.

The spokesman said Mollet believes an unsatisfactory outcome of the London conference would undermine France's determination to fight in Algeria and that twin defeats on Suez and Algeria would lead to a real crisis for the Fourth Republic.

The American embassy cautions that while this interpretation may be unduly pessimistic, it reflects the views of many responsible Frenchmen. The embassy believes the growing dissatisfaction with the Algerian campaign in France is apt to increase sharply if prospects for an end to the fighting become worse.

#### Comment

France reacted strongly to the Suez crisis, fearing that another boost to Nasr's leadership would markedly stiffen Moslem resistance to France in Algeria. Should the outcome heighten Nasr's prestige, those who favor an early end to the war in Algeria might gain the upper hand in the National Assembly.

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**5. SOVIET AIRCRAFT DEPLOY TO EASTERN EUROPE**

[Redacted]

A large-scale deployment of Soviet bombers to airfields in Hungary and Poland began in the early morning of 18 August with the movement of as many as 60 medium bombers and transports of the Long Range Air Force. On the following day, several Long Range aircraft [Redacted]

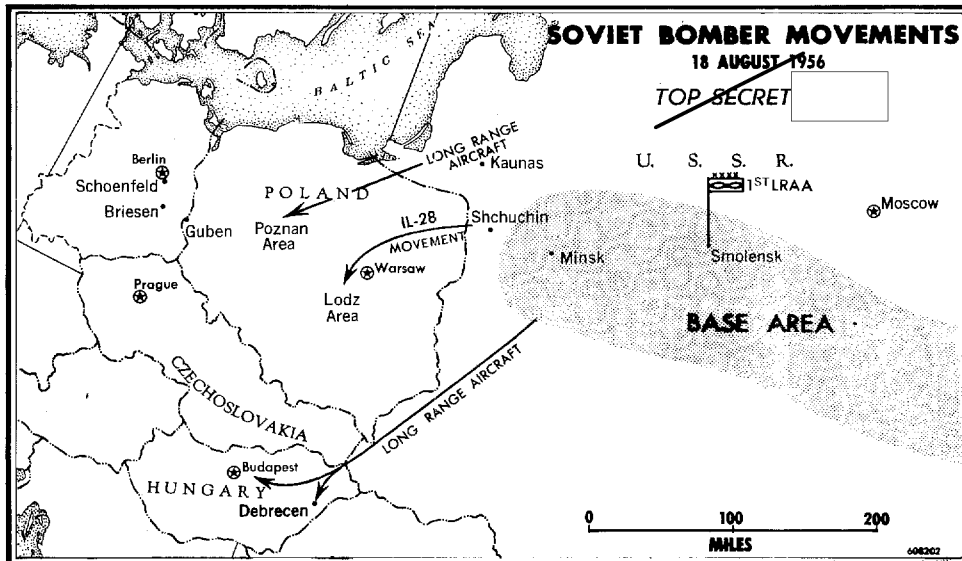
[Redacted]

presumably en route to East Germany. Although most of the aircraft appear to be subordinate to the First Long Range Air Army, aircraft of several other Long Range Air Force organizations and other commands are involved. Several of the aircraft apparently returned to the USSR on 20 August.

At least 35 IL-28 jet light bombers of the 15th Air Army and the IL-28 unit based at Shchuchin also participated in the movement to Poland on 18 August.

**Comment**

The unprecedented deployment to eastern Europe of Long Range Air Force aircraft and the associated light bomber moves suggest the commencement of a joint Long Range-Tactical Air Force



exercise which may involve the entire forward area. Preparation for this exercise probably began as early as 1 June when Long Range Air Force transport aircraft began visiting eastern Europe with increasing frequency. Almost daily flights to Briesen and Schoenfeld by Long Range Air Force TU-4's and headquarters transports since 6 August suggest there may be further deployment of Long Range aircraft to East Germany.

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## 6. TERRORISTS ON CYPRUS ASK FOR TRUCE

[REDACTED]

The American consulate general in Nicosia reports that the Cypriot nationalist organization EOKA, which asked for a truce on 16 August "to test the sincerity" of Britain, has not condemned violence and is ready to resume operations if the British response is not favorable.

[REDACTED]

The consul general says EOKA may be asking for a truce because the security forces have been making progress against its members and many Cypriots are beginning to be disillusioned with its methods.

[REDACTED]

Greek officials in Athens were taken by surprise by EOKA's action, and the Cyprus ethnarchy representative in Athens also claims to have had no prior knowledge that a truce was to be called. Prime Minister Karamanlis, although pleased at the improved prospects for settling the dispute, has complained that his government should have been consulted so it could have laid the diplomatic groundwork for American support of compromise attempts.

Cypriot nationalists still maintain that Makarios must be consulted in any planning for the future of the island and probably hope that the British will now return him from exile. [REDACTED]

**7. LAOTIAN GOVERNMENT OUTLINES TERMS FOR  
MILITARY SETTLEMENT WITH PATHET LAO**

[REDACTED] Royal government-Pathet Lao military commissions are scheduled to begin detailed negotiations on 22 August regarding the integration of Pathet troops into the

[REDACTED] The government's plan is to relate the number of Pathets to be integrated to the number of modern weapons they turn in and, after selective screening, form them into one or two battalions. [REDACTED] once under royal government control, the battalions would be broken up by reassignment to other units.

**Comment**

The Pathets, [REDACTED] have revealed concern over possible government "treachery," and are likely to insist on settlement terms that leave them in effective control of their forces and territory. [REDACTED]

8. CZECH COMMUNIST PARTY REJECTS POLISH  
TYPE OF "LIBERATION"

[redacted] The central committee of the Czecho-  
slovak Communist Party, [redacted]  
[redacted] recently instructed  
editors that an incorrect interpretation  
of the Soviet 20th Party Congress had led to serious mistakes  
in Poland and Hungary which, it implied, must be corrected.  
The central committee warned that the Poznan riots and other  
events in Poland "teach us a lesson" as to how the "class  
enemy" exploits weaknesses, such as Poland's "reckless am-  
nesty."

According to the central committee's in-  
structions, Yugoslavia is not to be taken as a model; wage  
questions must be handled cautiously, as improvements evoke  
pressure for more concessions; the bureaucracy should not  
be attacked in general but only in concrete terms; decentraliza-  
tion is not a panacea and centralization is not bad per se; agri-  
cultural collectivization must be speeded up; and the press must  
weed out numerous "incompetents!" [redacted]

Comment

The regime in Prague is still concerned  
over dissidence, and these instructions  
support earlier indications that concessions will be kept to a  
minimum. The Czech implication that the Polish and Hungarian  
parties must rectify their post-congress "errors" gains interest  
from the fact that both parties have continued, and possibly ac-  
celerated, their liberalization programs.

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**THE ARAB-ISRAELI SITUATION**  
(Information as of 1700, 20 August)

The Syrian defense minister has publicly stated that King Hussain has accepted an offer from Syria, Egypt and Saudi Arabia to help equip the Jordanian National Guard in building up its defense against Israel. According to the Syrian official, this is separate from a previous offer to replace the British subsidy and provides for aid on a permanent and unconditional basis. (Press)

Israel has doubled and in some cases tripled its production of "military items," according to an official public announcement. (Press)

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