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11 August 1956

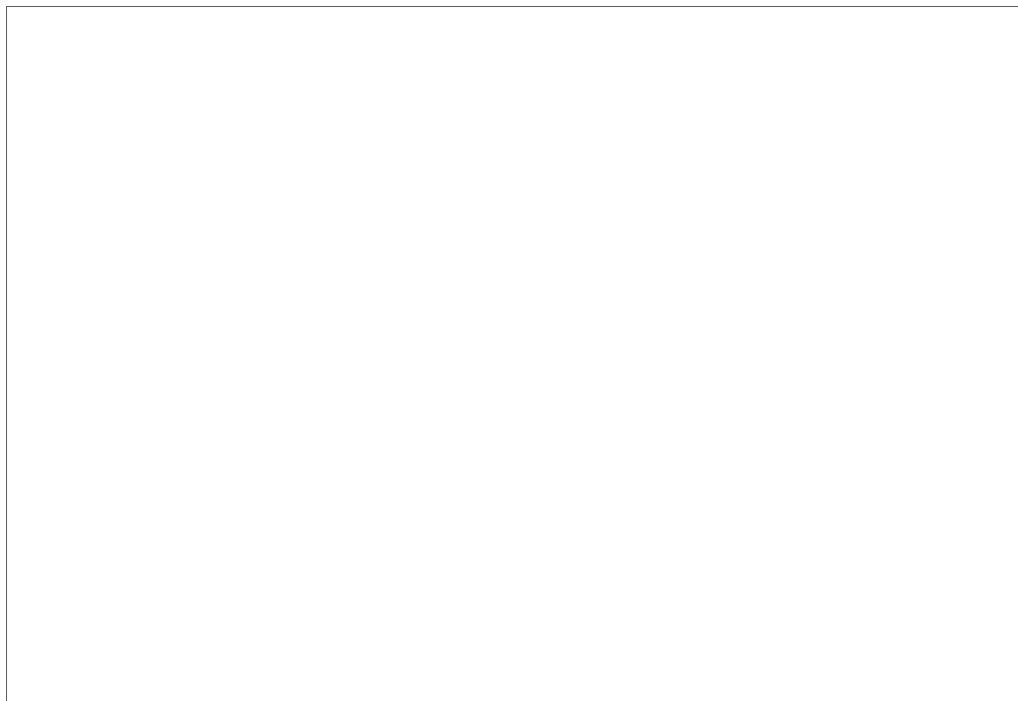


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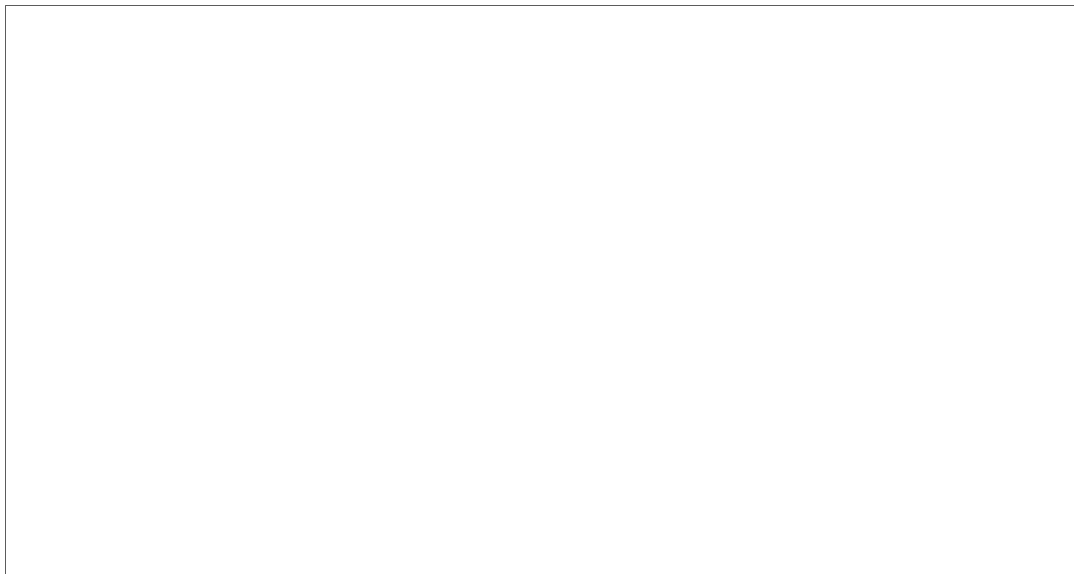
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 3
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 20 Dec 79 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY



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~~TOP SECRET~~**1. INDIAN ROLE IN SUEZ DISPUTE**

[redacted] Indian officials in Cairo have told the British that the best reply which can be expected from Nasr to the invitation to attend the London conference is an expression of Egyptian willingness to attend a conference jointly sponsored by Britain and Egypt with a new list of invitees to be negotiated through diplomatic channels. Such a conference would discuss "matters arising out of nationalization of the canal," without any advance reference to "internationalization."

The Indian position is that internationalization should not be imposed on Egypt and that if an international authority is established for the canal, it should be composed of small powers with Egypt as chairman.

Comment

India has been in close touch with Cairo on the Suez issue. [redacted]

[redacted]


While India is expected to "speak for Egypt" at the London conference, New Delhi has thus far carefully refrained from doing anything that might commit it irrevocably to either side of the controversy.

The suggestions given to the British by the Indian officials in Cairo may be New Delhi's first move to assume the role of mediator. [redacted]

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2. BRITISH LABORITES OPPOSE GOVERNMENT'S "SWORD RATTLING"

 A right-wing Laborite leader has informed the American embassy in London that he and a "vast majority" of Labor Party members are strongly opposed to the government's "sword rattling" on the Suez issue. He insists that any forceful action to be taken against Egypt should be "clearly in conformity with the UN charter."

The embassy recalls that in this connection, Hugh Gaitskell in his speech on 2 August also stated that any solution must be consistent with the UN charter.

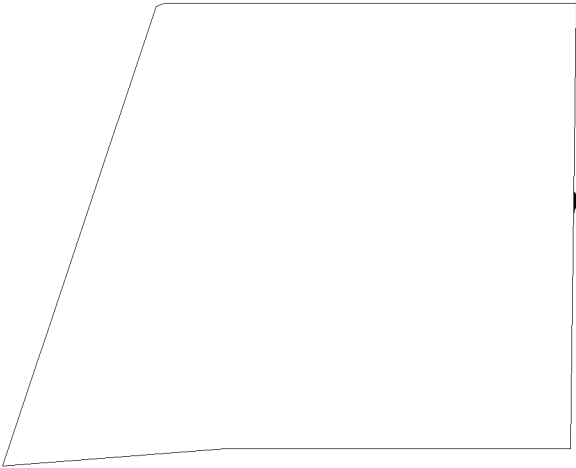
Comment With the exception of the London Times and the conservative weekly Spectator, the responsible British press has deplored the government's position that force might be used if necessary.

A British poll taken between 4 and 6 August shows that only 33 percent of those questioned would favor taking military action if Egypt refuses to accept the decision of the 16 August London conference.

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3. EGYPTIAN MILITARY MOVEMENTS IN THE SUEZ CRISIS



After several days of apparent inactivity, Egypt has responded to the threat of British and French military intervention by partially regrouping its forces to strengthen the defense of the Suez Canal and the delta areas. While Egypt's action appears to indicate an intention to resist foreign military intervention, it is also necessary to support Cairo's assertions that it will not bow to threats of force.

Although the major part of the Egyptian forces continues to be deployed in the Sinai area, some troops and a substantial quantity of armor are reported to have been withdrawn from the peninsula and the Israeli front. An increasing amount of anti-aircraft and field artillery and armor has been observed west of Cairo, in the Alexandria area, and in the Western Desert. This redeployment reflects the Egyptian belief that any attack outside the canal zone would be through the Western Desert--either overland from Libya or over the beaches west of Alexandria.

Egypt has instituted partial mobilization, and the call-up of the National Guard, the "Palestine Liberation Army," and youth battalions--comprising the newly proclaimed National Liberation Army--has been widely publicized. However, the military effectiveness of these forces is slight.

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4. SYRIAN AMBASSADOR URGES EGYPT TO COMPROMISE ON SUEZ

Syrian ambassador Zeineddine in Washington told the Egyptian ambassador [redacted] that a compromise solution on the Suez Canal dispute "would be in the best interests of Egypt," [redacted]

The Syrian diplomat warned that Egypt should exert every effort to avert "the catastrophe of a lopsided war!"

Zeineddine advised a compromise providing for (1) Egyptian management and sovereignty over the canal and (2) establishment of an international commission located outside Egypt which would investigate the freedom and safety of navigation of the canal "from time to time." The commission's reports would be reviewed by a committee of those nations invited to the London conference.

Comment

[redacted] reflect a real fear of Western military intervention, as well as fear that Soviet support for Egypt would not be sufficient to counter Western action.

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**5. SAUDI ARABIAN AND IRAQI OFFICIALS OPPOSED TO
INTERRUPTION OF OIL SHIPMENTS TO WEST**

Comment on:

[]
Recent remarks by high Saudi Arabian and Iraqi government officials suggest that their governments would oppose efforts to interrupt the movement of revenue-producing oil to the West.

Ambassador Wadsworth says Saudi deputy foreign minister Yusuf Yasin on 8 August conveyed his government's disapproval of any attempt to halt the flow of oil. Yasin recalled that at the time of the Palestine war, Saudi Arabia had been urged to stop shipment of oil, but had not done so.

The Saudi government is reported to have tightened security measures at oil installations and threatened to imprison oil workers in the event of work stoppages.

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~~SECRET~~**6. ALGERIAN REBEL LEADER OUTLINES PLANS OF
RESISTANCE MOVEMENT**

Ben Bella reiterated his determination to accept nothing short of complete independence for Algeria and implied that it would have to be granted to the government-in-exile which the Algerians plan to establish in the near future. Several states have already promised recognition, according to the Algerian leader.

Ben Bella revealed that nationalist leaders had recently held secret talks with a representative of the French government. The negotiations were indecisive, however, and were broken off when the Suez crisis arose.

[REDACTED]

Comment

Ben Bella's appraisal of the present strength of the Algerian resistance appears to be somewhat exaggerated, particularly with respect to the quantity of arms and ammunition available to the rebels.

[REDACTED] if a solution is not found for the Algerian problem by the end of August, the Algerians plan to establish a government-in-exile either at Damascus, Amman or Cairo. In the present inflamed state of opinion in the Arab world, it is possible that at least some of these states may have promised to recognize such a regime.

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7. HUNGARIANS REPORTEDLY TO REHABILITATE DEPOSED PREMIER NAGY

The Hungarian party central committee has decided to rehabilitate former premier Imre Nagy, [redacted]

[redacted] This action will reportedly take place following Nagy's admission that he committed certain errors during his tenure in office. [redacted]

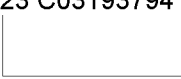
Comment

Previously Nagy has refused to engage in self-criticism, and the party as recently as mid-July reiterated that he was guilty of rightist deviation. However, the increase in power of the moderate elements among Hungarian Communists and the removal of Nagy's primary opponent, former party first secretary Rakosi, may have opened the way for Nagy to regain political influence by admitting some past errors and promising to work for party unity.

Nagy is a Moscow-trained Communist who has been active in the movement since World War I. During his premiership from July 1953 to April 1955, he inaugurated policies which are similar to many of those demanded by the moderate faction today. His return to public life would be viewed by the moderates as favorable to their efforts to speed liberalization and should also be welcomed by the public, which looks back on the Nagy era as the best of all past Communist regimes.

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