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15 March 1957

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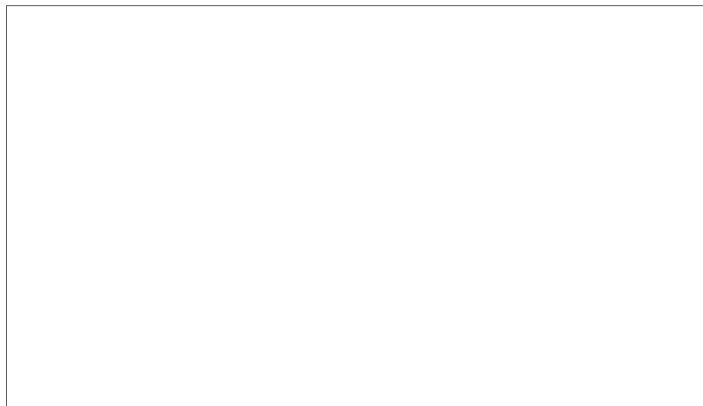
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**OFFICE OF CURRENT INTELLIGENCE  
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## 1. GAZA STRIP SITUATION

### Comment on:

UN secretary general Hammarskjold told Ambassador Lodge [redacted] that Egypt's action in sending an administrative governor and five civilian officials to Gaza on 14 March seemed consistent with the position that the United Nations had taken and that he could hardly object to it. Hammarskjold remained hopeful that Egypt would not seek to introduce any military personnel into the strip. Nasr told Bunche [redacted] that Egypt had no intention of sending armed forces to Gaza.

However, [redacted] an advance party of an infantry battalion had arrived at Al Arish, indicates that regular Egyptian forces have begun to move back into eastern Sinai. Al Arish is less than 30 miles from the Gaza strip. [redacted]

[redacted] that "the situation in Gaza is serious, and the people urgently need men to be sent to organize" activities such as the demonstration which accompanied the funeral of an agitator killed during the pro-Egyptian riot the previous day. On the night of 12 March,

UNEF troops surprised and captured a party of three fedayeen equipped with dynamite charges heading out of Gaza town toward the Israeli border.

These developments appear to belie public assurances by Egyptian officials that the UNEF will receive

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"full co-operation" from them, as well as the statement by Colonel Gohar, the Egyptian official responsible for Palestine affairs, to Ambassador Hare that "you can be confident that the situation in Gaza will be calm."

The American army and air attachés in Tel Aviv report that as of 13 March there was no evidence of Israeli mobilization despite the bellicose statements of Israeli leaders, but that the government is again stirring up the public with test air raid alerts. [redacted]

[redacted] some increase in active duty strength would be required for security along Israel's border with Egypt. [redacted]

## 2. FRANCE MAY GIVE ISRAEL AIR COVER IF ISRAELIS REOCCUPY GAZA

French defense minister Bourges-Maunoury told the American embassy on 13 March that France "in concert with Britain" is making preparations to provide air cover for Israel in case Tel Aviv finds it necessary to reoccupy the Gaza strip. He is certain that the Israeli army will move at once if Nasr sends "a governor with Egyptian forces" into Gaza.

At first the French government thought Nasr was bluffing, he said, but information received on 13 March led Paris to believe Nasr may take early action.

The defense minister declared that Egyptian planes could not be permitted to bomb Israeli cities.

The permanent under secretary of the British Foreign Office termed "absolute nonsense" a report that Britain might be prepared to provide air cover for the Israelis.

### Comment

The Egyptian-appointed administrative governor and five assistants arrived in Gaza on 14 March. No Egyptian troops were to accompany them. Should the Israelis reoccupy the strip, it is very doubtful that Egypt would risk its air force against them.

This and other recent reports of French willingness to lend military support to Israel may have been circulated to force new American and UN pressure on Egypt. French leaders continue to press for all-out support of Israel. While such support would most likely be limited to a continuation of present technical French air force aid, it could be augmented by aircraft and possibly pilots. France has eight

F84F's on Cyprus which are believed to be in combat-ready status. French air force technicians now in Israel are ostensibly there to aid in the utilization of aircraft purchased from France.

The British presumably would be willing to facilitate French air support of the Israelis, although they would probably be reluctant to participate in such operations.

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### 3. ISRAEL PLANS TO USE AMERICAN-OWNED TANKERS TO CARRY CRUDE OIL TO EILAT

Comment on:



An Israeli Foreign Ministry spokesman told the American embassy on 13 March that reports that an American-owned tanker would be the first to provide oil for the eight-inch Eilat-Beersheba pipeline, now nearing completion, were premature and "unfortunate." He said that nevertheless Tel Aviv is "hoping, if all goes well," to use three American-owned T-2 tankers chartered by Israel. If each tanker makes one trip a month, this would supply as much crude oil as the pipeline can handle initially. The Israeli official did not divulge the source of the oil, but it would presumably come from Iran.



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#### 4. NATIONWIDE STRIKES THREATENED IN KEY BRITISH INDUSTRIES

Comment on:



Unless last-minute efforts succeed in averting the nationwide strikes of some 3,000,000 British shipbuilders and engineers, scheduled to begin 16 March, the Macmillan government will be faced with a grave threat to its whole economic program.

The threatened strikes for across-the-board 10-percent pay raises would involve a greater number of workers than any since the 1926 general strike and would hit Britain's vital export program. The unions' jurisdiction includes the airplane and automobile industries, which have played an increasingly large part in that program, while the booming shipbuilding industry has orders through the next five years. Britain's plan to reduce its defense program is designed largely to allow these industries to concentrate on production for the export market.

The strike would further reduce the Macmillan government's prestige. The employers' refusal to discuss the unions' demands has been heavily criticized in the press, even by newspapers sympathetic to the Conservatives, and the government would be held largely responsible for failure to avert a stoppage. 

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## 5. SAUDI ARABIA'S FINANCIAL PROBLEMS

### Comment on:

As a result of heavy dollar expenditures and the sharp cutback in oil revenues since the Suez crisis, Saudi Arabia is apparently overextended financially and will probably be unable to meet current obligations without recourse to extraordinary borrowing. This financial squeeze is expected to continue for several months.

The American embassy suggested on 13 March that for the time being American exporters be advised to export to Saudi Arabia only against a letter of credit, since Saudi banks have been unable to obtain sufficient foreign exchange from the Saudi Arabian Monetary Agency to cover imports made on a collection basis. In late February, foreign exchange experts in New York were advising their clients similarly.

While revenues are scheduled to increase sharply this September, total Saudi oil revenues from April to September 1957 will total only \$44,000,000, of which only about \$7,000,000 will be in dollars, [redacted]

[redacted] This is not believed adequate for the government's needs. During a comparable period last year, oil receipts amounted to about \$94,000,000.

Saudi dollar payments to Aramco for oil shipped to Egypt have thus far amounted to approximately \$6,000,000. Completion of the contract will cost Saudi Arabia an additional \$4,000,000.

The dollar reserves of the Saudi Arabian Monetary Agency in American banks have been sharply drawn

down since October. Dollar reserves now stand at less than \$4,000,000 as compared to almost \$15,000,000 last October. Outstanding Saudi loans from American banks at the end of February amounted to \$27,000,000.

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## 6. JAPANESE MAY REQUEST REVISION OF SECURITY TREATY WITH US

[REDACTED]

The Japanese government and its conservative supporters apparently are considering a request to the United States to revise the Japanese-United States security treaty, according to Ambassador MacArthur. A Foreign Ministry official recently stated that a "sensible" revision which the Socialists could not oppose should be made to strengthen the conservatives "before it is too late." The official believes it would be feasible for Japan to offer participation in defending the Ryukyu and Bonin Islands in a mutual defense treaty.

[REDACTED]

Prime Minister Kishi has directed the Foreign Ministry to make an intensive study of US-Japanese problems in preparation for a visit to Washington. MacArthur thinks recent Japanese press publicity on the subject may have been a "trial balloon" to determine US reaction to raising the issue.

### Comment

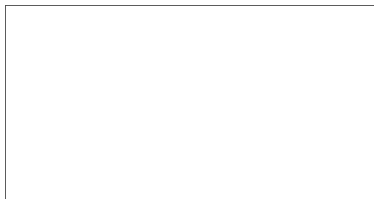
The Japanese have been vague concerning specific revisions of the treaty, but there are indications they desire a commitment from the United States to defend Japan in return for base rights, and the setting of a time limit and conditions whereby either party may terminate the pact.

Recent Diet debates involving the sensitive nuclear weapons issue suggest that the Japanese will also seek a voice in determining the strength, the type of armament and employment of American forces stationed in Japan. Kishi, who hopes to visit Washington in May or June, may also seek a timetable for the withdrawal of American ground forces from Japan. [REDACTED]

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## 7. SOVIET-EAST GERMAN TROOP AGREEMENT

### Comment on:



The Soviet-East German status of forces treaty signed in East Berlin on 12 March pays lip service to East Germany's sovereignty but fails to give East Germany the legal and jurisdictional safeguards accorded Poland in an agreement last December. Superficially the two agreements are similar.

Under Article 18, the Soviet high command in East Germany is empowered to "take measures to eliminate" any "threat to the security of Soviet troops," allowing for "appropriate consultations" with the East German government. This in effect reserves to the USSR unlimited powers in East Germany. While changes in strength and disposition of Soviet troops in East Germany "shall be the subject of consultations" between the two governments, the practical effect of the ruling will be that the East German government will merely be informed of Soviet actions. The Polish-Soviet agreement gave Warsaw the right to withhold its consent on troop movements.

"As a general rule," East Germany will have legal jurisdiction over Soviet personnel in cases involving violations of East German laws. Either Soviet or East German authorities, however, may request transfers of jurisdiction, a provision which could effectively remove Soviet personnel from any East German authority.



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ANNEX

Watch Report 345, 14 March  
of the  
Intelligence Advisory Committee

*March 14 1957*

*345*

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East by the Arab states is improbable in the immediate future. Israel may move to reoccupy all or part of the Gaza strip if faced with provocations, such as the renewal of large-scale fedayeen raids, the entry of Egyptian military units, the abrupt restoration of full Egyptian administration, or the early withdrawal of UN forces. Other unsettled issues and tensions in the Middle East also constitute possibilities for violence.



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