



18 August 1956

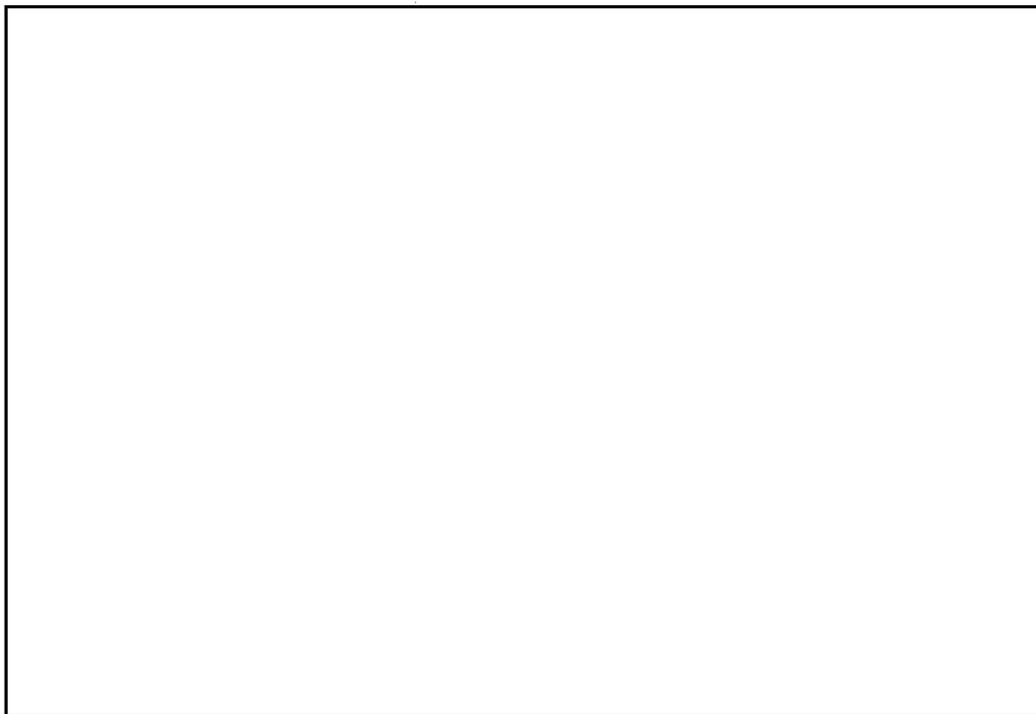


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1. PILOT SHORTAGE REDUCES SUEZ CONVOYS

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Egypt has now been compelled to reduce the Suez Canal's convoys to one a day in each direction because of an increasing shortage of pilots. Shipping congestion has been aggravated by failure of some European pilots to return to Egypt from leave following nationalization of the Suez Canal Company, and by failure of 11 additional pilots to report for duty on 14 August on grounds of illness.

When the canal was nationalized, there were two daily convoys in each direction. The reduction to one northbound convoy implemented earlier in the week had been under consideration by the company as early as June because of a shortage of pilots. The company has charged that Egypt's refusal during the last two years to grant entry visas to foreign candidates for pilot jobs was responsible for the shortage. Egypt is trying to alleviate the shortage by assigning 15 Egyptian naval officers to Port Said for pilot duty.

Of the 187 regular canal company pilots, 148 have expressed a desire for repatriation. The company has instructed these employees to remain on the job until the end of August. Prior to the nationalization crisis, the company estimated that 243 pilots were needed to deal with the normal level of traffic.

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4. SECURITY SITUATION IN ALGERIA

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 The American consul general in Algiers reports that both terrorist and counter-terrorist activity have recently increased in Algeria, where the effect of the Suez crisis has been to stiffen both sides and dispel any optimism regarding early negotiations between the French and the nationalists.

The principal rebel effort is focused on the city of Algiers which, the consul general says, is like an armed camp with patrols stationed at all major intersections. In addition, the rebels are carrying out successful operations, including ambushes which have been costly to French military units, in several other areas not previously affected.

The consul general comments that the pattern of these incidents lends substance to a report that the "National Liberation Front" has ordered an all-out effort to produce an "explosion" in the Algiers area during the second half of August. This report forecast that the rebel program would include the severing of principal highways, more grenade attacks against Europeans, increased raids on pacified villages, a general strike around 24 August, and diversionary action in other parts of Algeria.

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5. PAKISTANI PRESIDENT COMMENTS ON VISIT
TO AFGHANISTAN

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Pakistani president Mirza believes following his recent visit to Kabul that Afghanistan wishes to come to terms with Pakistan and is looking for a device which will enable him to abandon its claim to Pushtoonistan. He says the Afghans would prefer to deal with the West rather than the Soviet bloc, that they are conscious of the Soviet danger, and that they did not impress him as rapidly passing under Soviet control.

Mirza seems to have been sufficiently impressed with Afghan reasonableness to recommend that Pakistan stop its anti-Afghan propaganda and take all possible steps to win Kabul's friendship. He expects Daud to visit Karachi before King Zahir Shah pays a return visit early in 1957.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 17 August)

Egypt claims Israel attacked two Egyptian positions in the Gaza strip on 16 August and killed nine soldiers, but an Israeli army spokesman denied knowledge of such attacks. There were reports from Cairo, however, that firing in this area was continuing. UN truce observers have started to investigate this report as well as the Israeli claim that Arab commandos from Jordan were responsible for an earlier bus attack near Eilat.

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The American army attaché in Tel Aviv believes that the size of the bus attack as well as the loss of Israeli lives may lead to some retaliatory action by Israel. He reports, however, that viewpoints vary as to whether Israelis in general favor retaliation at this time--some feel that an attack might jeopardize Israel's interests in the Suez issue. The attaché reports no visible Israeli army preparations for retaliation.

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The Egyptian military attaché in Belgrade told the American attaché there that Yugoslavia is shipping American military equipment to Israel as well as Yugoslav 120-mm. mortars, howitzers and ammunition. There is no other information that Israel is getting military equipment from Yugoslavia, and Belgrade has denied in the past that any American arms were allowed to leave the country.

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