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1. ARAB STATES RECONSIDERING WISDOM OF EXTREME MEASURES IN SUPPORT OF EGYPT

The Arab states are carefully reconsidering their previous strong support for Egypt in the Suez crisis,

Arab leaders have concluded that the "scorched earth" policy of sabotage against Western oil facilities which they have advocated in case of a Western attack on Egypt is ridiculous, since almost all the states depend on oil income, and damage to facilities would in the long run hurt the Arabs more than the West. As a result of these second thoughts, the other Arab states are quietly drifting away from the Egyptian cause.

even Egypt has decided that extensive sabotage of the Suez Canal would be foolhardy, and Cairo now plans only to sink several ships filled with cement in order to block the canal temporarily against hostile naval forces.

Comment Arab public opinion, played on by extremists and Egyptian agents, would probably still compel government leaders of some of the Arab states to acquiesce in sabotage of Western oil installations in the event of Western military action against Egypt, regardless of the leaders' doubts of the wisdom of such action.

However, the meeting scheduled for 20 September between King Saud of Saudi Arabia and King Faisal of Iraq, as well as the recent trip of King Hussain of Jordan to seek help from Iraq against Israel, are symptoms of a possibly temporary lessening of Egyptian influence.

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2. KARAMANLIS CONSIDERING POSSIBILITY OF DIRECT RULE IN GREECE

Greek prime minister Karamanlis is faced with attrition of his party's majority in parliament and the certainty that the opposition will wage an all-out

campaign to overthrow his government if the Greek appeal to the UN on Cyprus fails. Apparently anticipating a UN defeat, he is reported to be contemplating the establishment of a dictatorship in Greece.

Karamanlis now controls 164 out of 300 seats in parliament, and there are signs that he is beginning to lose control of his party's deputies. A deputy particularly close to the prime minister recently withdrew his support and reportedly claims that others are ready to follow suit.

Karamanlis says he will not hesitate to use force to "control the situation." He asserts that dictatorship in Greece is inevitable in any case if the Cyprus problem is not solved, since the weak governments produced by future elections would ultimately lead to dictatorship.

Both the king and the Greek army reportedly will back Karamanlis in any course he selects, including the imposition of a personal dictatorship. With this support, the prime minister could probably succeed in establishing his absolute control.

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3. MAO TSE-TUNG OFFERS ECONOMIC AID TO EGYPT

Mao indicated that economic assistance provided to Egypt could be refunded at Cairo's convenience, "up to a hundred years."

Comment The Chinese are not in a position to provide more than token economic assistance to Egypt but might hope for worthwhile propaganda gains in the Near East through such a move.

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4. PATHET LAO NEGOTIATORS ARRIVE IN VIENTIANE

Pathet Lao representatives arrived in Vientiane on 18 September for meetings of mixed political and military commissions to negotiate the details of a settlement with the royal government. These

meetings are expected to begin within the next few days.

Comment

In view of Pathet stalling on negotiations, a speedy settlement appears unlikely.

In any event, the chief government negotiator has been instructed to refer all matters of major disagreement to Prime Minister Souvanna Phouma. who will not return from France until about 1 October.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 19 September)

An Israeli military spokesman charged on 18 September that two Israeli soldiers were wounded as a result of rifle and machine gun fire from the Jordanian border. (Press) AP Jerusalem, 18 Jept.

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BIWEEKLY SUMMARY (6-19 September 1956)

THE TAIWAN STRAIT

Report of the IAC Current Intelligence Group for the Taiwan Strait Problem

1. There were no significant combat operations in the area during the period.

2. At the Eighth Congress of the Chinese Communist Party meeting in Peiping, comparatively limited attention was given to Taiwan, with speakers merely restating the Chinese Communist position on the issue. While emphasizing the theme of "peaceful liberation," Liu Shao-chi, the ranking Chinese Communist after Mao Tse-tung, asserted that Peiping would not hesitate to use force against Taiwan "when all possibilities for peaceful negotiations have been exhausted or when peaceful negotiations have failed."

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