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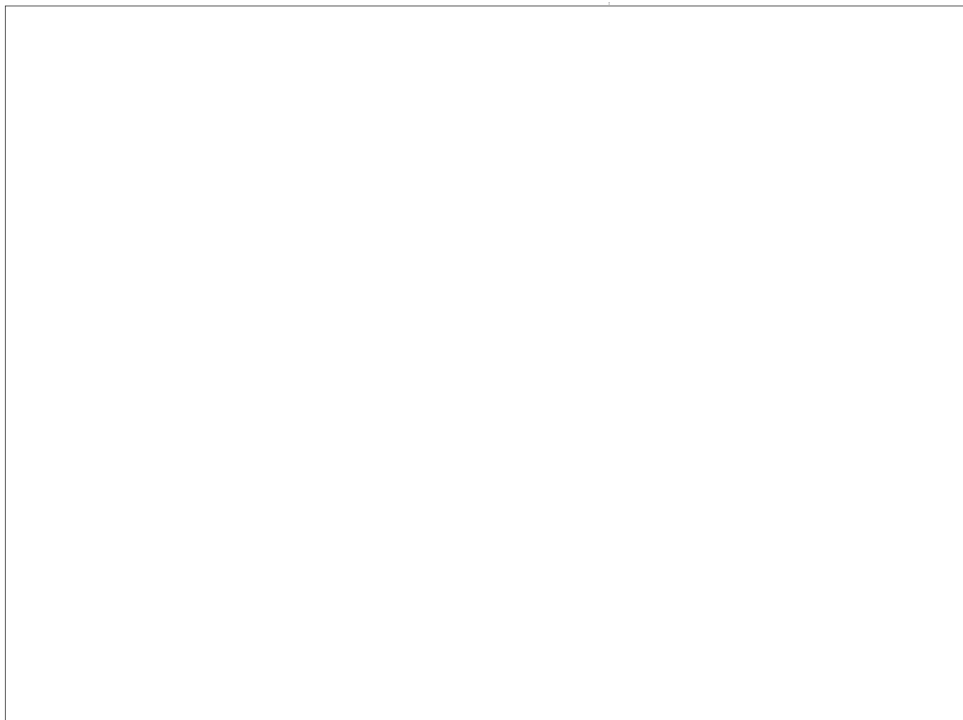
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**CURRENT
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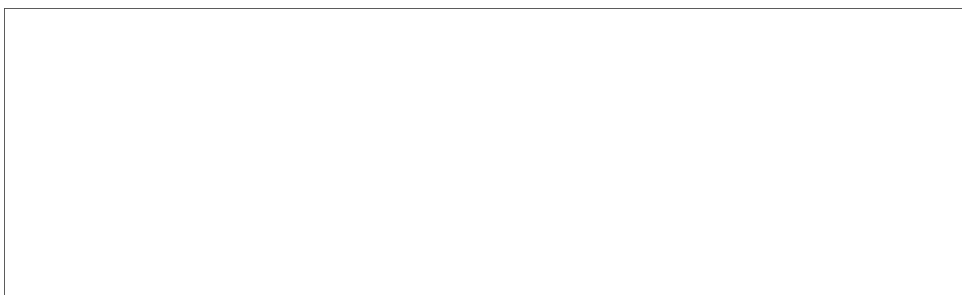
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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**



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1. EGYPT TO URGE OTHER ARAB STATES TO CONSIDER JOHNSTON PLAN FURTHER

 Egypt is undertaking conversations with the other Arab states to urge that "further consideration" be given the "Johnston plan" for the development of the Jordan river valley, according to Egyptian foreign minister Fawzi. In expressing his concern over the crisis which would result if Israel resumed its own Banat Yacov canal project to divert water from the Jordan, Fawzi told the American chargé on 9 February, "It is not that we are afraid, but there is no use in having a fight if we can avoid it."

Fawzi said his government expects difficulty only with Syria. He expected talks to open with Jordan on 10 February and with Saudi Arabia "very soon."

Comment

Prime Minister Nasr promised Ambassador Johnston last fall that Egypt would try to bring the other Arab states to accept the regional development plan within a few months. During the same round of negotiations, the Israelis stated that unless the Arabs showed signs by 1 March of accepting the Johnston plan Israel would feel free to proceed with its work at Banat Yacov. Syria recently stated it would fight if Israel resumed digging.

Egypt's prospects of gaining Arab acceptance of the plan in the near future appear doubtful, but "further consideration" by the Arabs would cut the ground from under the Israeli contention that the Arab states have shown no significant interest and might thus serve at least to postpone a crisis over the Banat Yacov issue. It is clear that Egypt's leaders do not feel ready for war at this time, and fear Syrian action might precipitate hostilities.

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2. USSR TO SET UP ATOMIC RESEARCH LAB IN CAIRO

[REDACTED]

The USSR signed an agreement on 10 February to help Egypt set up and equip a nuclear physics laboratory in Cairo. Soviet atomic specialists and equipment will be sent to Cairo, and Egyptian scientists and specialists will be trained in Russian research institutes. The USSR will supply Egypt with equipment and instruments for carrying out geological exploration.

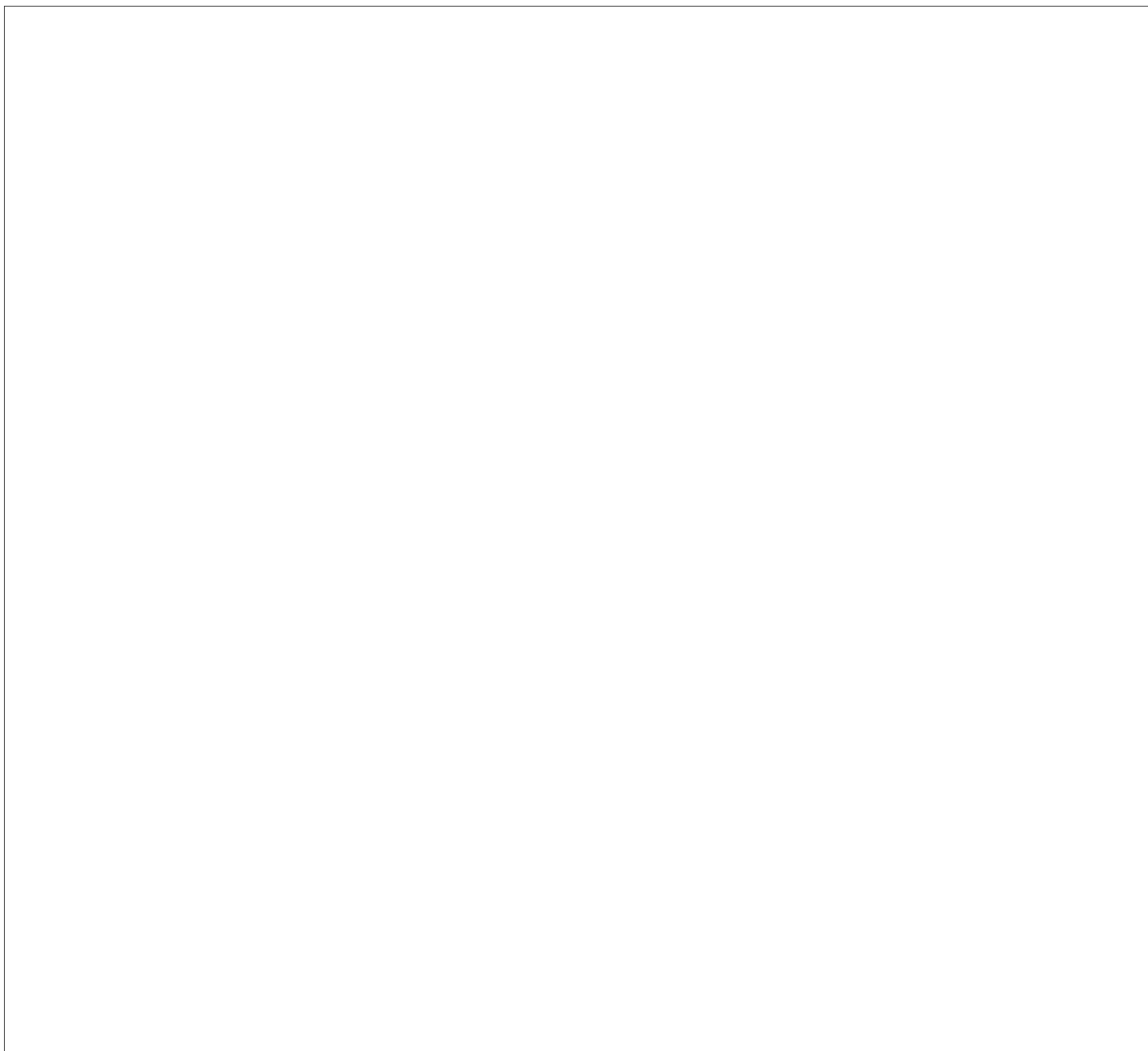
The agreement was signed on the Soviet side by A. N. Lavrishchev, a deputy chief of the Chief Directorate for Economic Relations, the organization charged with implementing the Kremlin's aid program in underdeveloped countries. Negotiations apparently began in July 1955, when [REDACTED] the Egyptian ambassador in Moscow revealed that the Soviet Union was prepared to give Egypt "technical and scientific" help in developing atomic energy for peaceful purposes.

There have been numerous indications that the USSR intends to extend this type of assistance to other non-bloc states. Indonesian ambassador Subandrio in Moscow reported to Djakarta on 12 September that the USSR had offered to train Indonesians in this field. Premier Bulganin, in his 6 February reply to questions from a Pakistani editor, expressed willingness to share the USSR's knowledge of peaceful applications of atomic energy with Pakistan. The first actual agreement on nuclear co-operation with a non-Orbit state was reached recently with Yugoslavia.

[REDACTED] (Prepared jointly with ORR)

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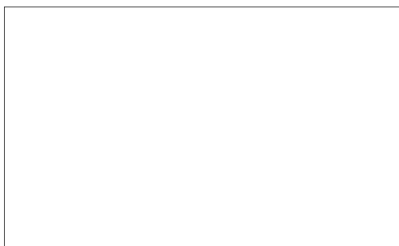
**3. ADDITIONAL TROOPS MAY HAVE MOVED TO EAST
CHINA RECENTLY**



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4. LARGE CHINESE COMMUNIST PURCHASE FROM BELGIUM



In announcing on 10 February a contract to buy 425,000 tons of Belgian chemical fertilizer, Peiping has dramatized to Western

European and Japanese businessmen the potential market Communist China would afford for industrial products if trade restrictions were reduced. This single contract, in the amount of \$25,000,000 to \$30,000,000, is nearly ten percent of the value of Peiping's imports from non-Communist countries in 1955.

The Belgian businessman who signed the contract in Peiping termed it the "biggest single chemical fertilizer contract ever made" and said "there will be a new contract each year and a bigger one too." Peiping quotes him as deriding the "US-imposed embargo" which "many" businessmen in Belgium and other European countries want to see lifted or at least reduced. 
(Prepared by ORR)

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5. TUNISIAN BEY REQUESTS NEW NEGOTIATIONS WITH FRANCE FOR GREATER INDEPENDENCE

[REDACTED] The Tunisian bey informed the French high commissioner in Tunis on 10 February that he wished to open new negotiations with France immediately with the aim of fuller independence for Tunisia, according to the American consul general in Tunis.

The newly appointed director general for Tunisian and Moroccan affairs informed the American embassy on 10 February that French-Tunisian negotiations would begin soon, "possibly within two weeks."

The Tunisian cabinet wants to reach an agreement in principle with Paris regarding a Tunisian national army and diplomatic representation before the campaign for Tunisian general elections, scheduled for 25 March, gets under way.

Comment

Preparatory talks looking toward these negotiations were held earlier this month with Habib Bourghiba, president of the moderate Tunisian Neo-Destour party. These new demands by the Tunisians were considered inevitable when Paris recognized in November that Morocco might regain its independence whereas Tunisia had been awarded only limited autonomy by the French-Tunisian conventions of June 1955.

[REDACTED] France probably would agree to a token Tunisian army and a few Tunisian diplomatic representatives within the French diplomatic establishment. These added concessions should strengthen popular support for Bourghiba and his moderate Neo-Destour party in the general elections.

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6. MOLLET URGED TO BE TOUGH WITH BOTH SIDES IN ALGERIA

[REDACTED] The mayor of Algiers, Jacques Chevallier, believes French-Algerian negotiations are out of the question in the present atmosphere, and that the only way to recapture confidence of both French and Moslems would be to "wield a bludgeon with complete impartiality." Chevallier told the American consul general in Algiers on 9 February that he had urged Premier Mollet not to make any more vague proposals, which would be twisted by both sides to the further exacerbation of the situation.

Comment

Chevallier wants to play the leading role in a plan giving Algeria a federated status within a revised French Union. He hopes to satisfy Moslem demands by granting eventual equality.

Meanwhile, the attitude of moderate Algerian Moslems has hardened substantially. The "Action Committee of the 16," a coalition of elected Moslem representatives, now demands that Mollet obtain approval from it and rebel leaders for any policy proposed for Algeria.

The French government has banned demonstrations in both Paris and Algiers. The National Assembly is aggravating the situation, however, by vacating the seats of Pujadist deputies, and unless Mollet can produce an Algerian solution very soon, Pujade may use the issue as an excuse for violence like that which greeted Mollet in Algiers. Such violence would enable the Communists to play up the fascist threat in their effort to win Socialist backing for a popular front. [REDACTED]

[REDACTED]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 12 February)

The American embassy in Tel Aviv reports that from Prime Minister Ben Gurion down through all strata of the Israeli public the conviction is held that at this moment nothing can give Israel real security except arms qualitatively equal to those Egypt is receiving from the Soviet bloc. The embassy believes that this conviction is based partly on recognition of the time lapse which would necessarily occur between an Egyptian attack and intervention by the United Nations. In this connection a high Israeli official recently stated Israel must assume that a Soviet veto would paralyze the UN, and that the fortuitous circumstance of Soviet absence from the Security Council at the beginning of the Korean war would not be repeated. (Item 1, page 3, deals with Egyptian moves to avert a crisis over Banat Yacov.)

On 10 February, Israeli Hebrew-language newspapers printed reports attributed to an American paper that France would sell 12 Mystere jet fighters to Israel and that the United States had no objection to this sale. The French government had asked Israel to maintain complete secrecy regarding this sale; publication of the news will raise a storm in Arab capitals.

[REDACTED] the Egyptian military mission in India has purchased 4,000,000 sand bags to be shipped in March or April. [REDACTED]

[REDACTED] three shipments of military equipment from Czechoslovakia had arrived via KLM in the last ten days. [REDACTED] the first shipment was submachine guns. This is the first report that the materiel for which the Syrian mission has been negotiating in Prague has arrived in Syria.