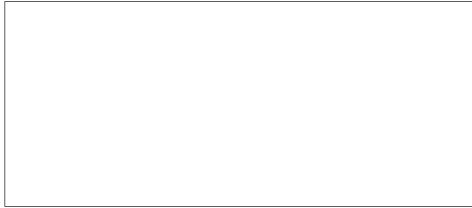


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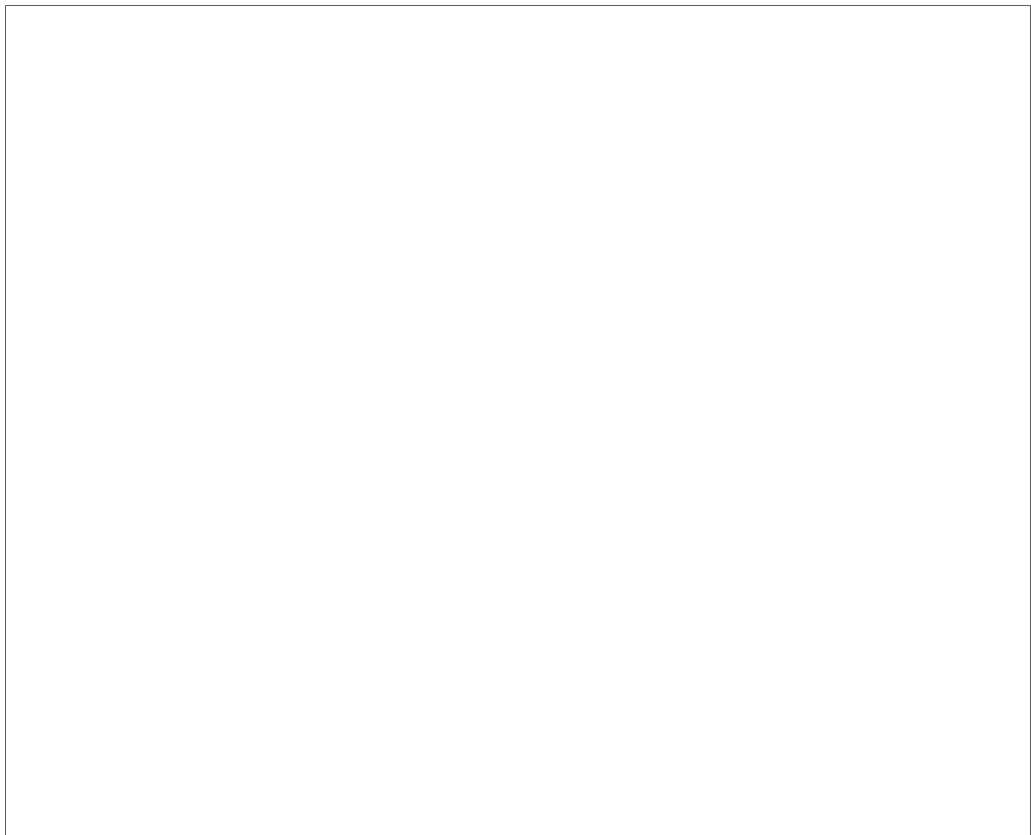


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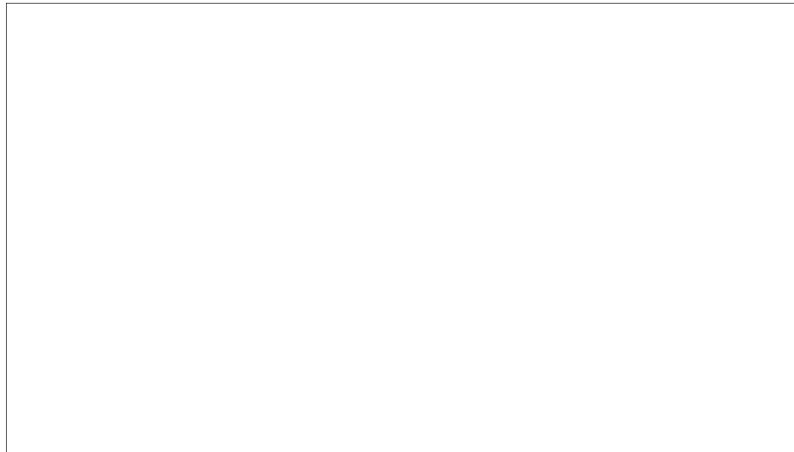
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1. DEMONSTRATIONS AGAINST US INSTALLATIONS IN ALGIERS REPORTED LIKELY

 The American consulate general in Algiers has been informed by reliable sources that US installations in that city would again be a target for attacks during January. The local French administration has indicated an awareness of such reports and has offered police protection.

Comment Settler frustration and exasperation over France's failure to suppress rebel terrorism has recently taken an increasingly anti-American orientation. On 29 December, European extremists, who subsequently attacked Moslems at random throughout Algiers, demonstrated angrily for about an hour in front of the consulate general. The premises were not entered, but the consular seal and brass plaque were torn down and defaced while the police, who were present, remained largely inactive.

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2. BRITAIN CONSIDERING REDUCTION IN LIBYAN COMMITMENT

[redacted]

[redacted]

[redacted] Britain must "pull in her horns" in Libya, and is likely to begin withdrawing ground forces and reducing the subsidy to the Libyan government by not later than 1958. Similarly, Britain does not expect to pay a subsidy to Jordan much longer. [redacted] hope that the United States would "take up some of the slack" in both cases.

[redacted] Britain will not "give way" in the Persian Gulf sheikdoms, where its last "really" vital interests in the Middle East--apart from the Suez Canal--are located. [redacted]

Comment

Following Libya's request for revision of the Anglo-Libyan treaty in November, London has been reassessing its policy there and has apparently concluded that, in view of financial difficulties, the usefulness of the British military base is insufficient to justify continued aid at the current fiscal year's record high of \$11,400,000. Libya is seeking to achieve a reduction of the 8,100 British troops there and a parallel increase in its own army. The British still intend to fulfill their prior commitment to assist the expansion and training of the Libyan army, but for some months past have sought to increase American interest in Libya.

Since last March, London has increasingly questioned whether Jordan's existence as a state would still contribute to Britain's primary purpose of preserving its oil interests in Iraq and the Persian Gulf principalities.

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3. IRAQ REDUCING FORCES AT IRAQI-JORDANIAN BORDER

Comment on:

[REDACTED] Iraq has begun to reduce its forces at H-3 pumping station near the Jordan-Iraq frontier. This confirms earlier indications that Iraq considers that for the present it cannot influence the increasingly hostile trend in Jordan and Syria by maintaining a concentration of troops near their borders.

[REDACTED] The Iraqi 19th Brigade of about 3,000 men was withdrawn in mid-December from Jordan to the vicinity of H-3. According to the deputy chief of staff of the Iraqi army, this brigade commenced moving on 3 January from H-3 to its home station 30 miles north of Baghdad. It now appears that H-3 will be manned only on a standby basis with a motorized battalion and one company of the 14th Brigade--about 1,000 men.

Internal unrest in Iraq, which has been encouraged by Egypt and Syria, was possibly a factor in the decision to return some troops to home garrisons. [REDACTED]

[REDACTED]

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[REDACTED]

4. ISRAELI MOVES TO STRENGTHEN CONTROL OF GULF OF AQABA

[REDACTED]

Israel's intention to maintain undisputed control over the Gulf of Aqaba and prevent renewal of the Egyptian blockade there is evidenced by a report from Tel

[REDACTED] Aviv that a third frigate is en route to Eilat via the Cape of Good Hope. Following seizure of the Sinai shore of the gulf from Egyptian forces in November 1956, two Israeli frigates were sent to Eilat from the Mediterranean--reportedly refueling at French facilities in Africa en route. From five to eight small amphibious craft, which may have been shipped overland, are also reported at Eilat.

The French landing ship dock Foudre was observed at the Israeli Mediterranean port of Haifa on 2 January loading landing craft "for an African port!" The reporting agency comments that the Foudre may transport the landing craft, and possibly motor torpedo boats, to Eilat because of the difficulty in moving such craft overland through the Negev.

Israel has indicated that by 10 January its forces which fought in Egypt will have been withdrawn to the vicinity of El Arish on the Mediterranean and to a zone in eastern Sinai which includes the western shore of the Gulf of Aqaba. It will probably resist further significant withdrawals pending receipt of what it considers an effective guarantee of its rights in the area--including free transit of the Gulf of Aqaba. [REDACTED]

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CONFIDENTIAL**5. SITUATION IN INDONESIA**Comment on:

The decision of the Masjumi on 5 January not to implement its threat to withdraw from the cabinet gives Premier Ali's coalition government a new lease on life. The Masjumi action was based both on a reluctance to accept virtual isolation in opposition to a Communist-supported regime and on offers of attractive political "plums."

This development, however, may turn out to be only a reprieve for Ali, as the problem of Sumatran disaffection remains. Col. Simbolon has ignored the deadline for his surrender and has indicated that he will negotiate only with a personal representative of President Sukarno and only in Sumatra. Lt. Col. Hussein, the dissident commander in central Sumatra, has declared that he will meet force with force. Other ranking officers in North Sumatra, while declaring their allegiance to Sukarno and army chief of staff Nasution, have pointedly omitted any reference to either the central government or Lt. Col. Ginting, its military commander in the area.

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6. LIBYA REPORTEDLY INCREASING ROLE IN ALGERIAN ARMS TRAFFIC

[REDACTED]

The Libyan government has taken over arms for the Algerian rebels brought to Libya under control of the Egyptian military attaché in Tripoli, and is now facilitating their transit to the Algerians. [REDACTED]

[REDACTED] actual delivery is usually made by Tunisian authorities who take charge of shipments at the Libyan-Tunisian border. One such shipment, involving 50 cases of ammunition for British-make rifles, left Tripoli for Algeria on 28 December. [REDACTED]

Comment

The former Egyptian military attaché in Tripoli, who was forcibly ejected by the Libyan government in mid-November for "acts prejudicial to the international security of Libya," had long been identified [REDACTED] as Egypt's chief agent in Libya for clandestine arms shipments to Algeria.

An Algerian nationalist reported last month that the rebels had recently received numerous arms shipments from Egypt via Libya. These were said to have been arranged by Mohamed Bachir, the permanent representative in Tripoli of the Algerian National Liberation Front. [REDACTED]

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