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CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

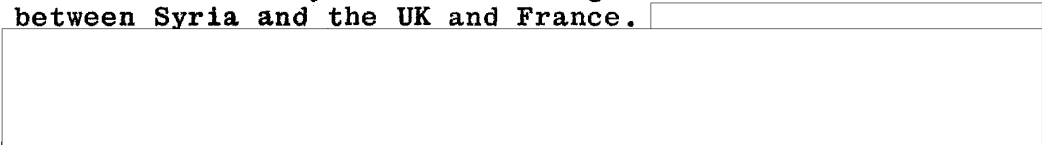
PART I

OF IMMEDIATE INTEREST

SYRIA Page 1

The internal drift to the left in Syria, accompanied by growing Soviet and Egyptian influence, is increasing tension between Syria and its neighbors as well as between Syria and the UK and France.

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The combined tensions could result with little warning in an outbreak of hostilities involving Syria, which would increase the possibility of Soviet intervention. Internally, the Syrian leftists, trying not to precipitate outside intervention, are maintaining a facade of constitutional government, while they attempt to complete their assumption of power.

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SUEZ SITUATION Page 5

Recent restatements of the British and French positions on a withdrawal from Port Said present conditions evidently still unacceptable to Egypt. Nasr still demands complete and unconditional withdrawal, while London and Paris seek prior assurances that clearance of the canal will be speeded.

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PART II

NOTES AND COMMENTS

YUGOSLAV-SOVIET RELATIONS Page 1

Current Yugoslav-Soviet polemics indicate that neither side wishes a complete break, yet neither is willing to retreat from its fundamental position concerning the proper nature of relations between Communist states. Further Soviet efforts to isolate the European Satellites from Yugoslav influence are likely. While the Soviet kidnaping of Hungarian ex-premier Nagy and the Albanian campaign of vilification against Yugoslavia have heightened the tension in the Communist world, it would probably take such action as Soviet economic pressure on Belgrade or a real showdown with Poland to force Tito to an open break.

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HARSHER POLICIES IN HUNGARY LIKELY Page 3

The Soviet kidnaping of ex-premier Nagy has eliminated what little chance the Kadar regime might have had of gaining a popular following. Premier Kadar has assumed an increasingly harsh and threatening attitude toward the population, which continues to resist the regime despite extreme privations. At the same time, Moscow, increasingly concerned over the failure of Hungarian authorities and the Soviet military to restore order in Hungary, has evidently initiated a course of more overt direction and control in Hungary. [redacted]

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POLAND CHALLENGES SOVIET POLICY ON HUNGARY Page 4

Polish press attacks on Soviet policy toward Hungary reflect a decision by Poland's leaders not to remain silent any longer on the Soviet intervention in Hungary lest they appear to be acquiescing in Moscow's interference in the internal affairs of a Satellite. They apparently are prepared for a verbal battle with the USSR on this issue, but probably believe that more direct and pressing problems will prevent the Soviet leaders from taking strong action. [redacted]

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THE NEW POLISH REGIME Page 5

The extensive personnel and organizational changes in the Polish party and government since the accession to power of First Secretary Gomulka have continued the liberalizing and streamlining program in progress since the Soviet 20th party congress last February. The most important feature of these changes is the replacement of many Stalinist ministers and party functionaries with Communists of "liberal" persuasion, known Gomulka supporters, and non-Communists appointed as representatives of other parties or for their technical competence. [redacted]

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MOLOTOV'S STATUS IN THE SOVIET LEADERSHIP Page 6

Molotov's appointment on 21 November as minister of state control does not appear to represent a comeback. While still a first deputy premier, in his new position he remains removed from the vital area of foreign policy and heads a ministry which has had a substantial diminution in influence in recent years. [redacted]

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NEW SOVIET HARASSMENT OF ALLIED TRAVEL TO BERLIN Page 7

Soviet authorities in East Germany on the night of 20-21 November began an attempt to subject Allied military trains traveling between West Germany and Berlin to new restrictions. Although the Russians deny they are challenging Western rights, their recent efforts may presage an attempt to establish more rigid controls over access to the city. [redacted]

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FRENCH PREMIER FACES INCREASED OPPOSITION Page 8

The French people still seem to approve Premier Mollet's original reasons for intervening in Egypt, but there is growing concern over the developing economic consequences. Mollet probably faces no immediate parliamentary challenge, however, since few candidates for the premiership are willing to assume responsibility for the impending economic crisis. [redacted]

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NORTH AFRICA Page 9

[redacted]

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[redacted] In Algeria, both the rebels and the French security forces have stepped up their operations. In Morocco, the nationalist trade union has deferred a strike of American-employed workers at the Port Lyautey air base. [redacted]

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THE NEXT JAPANESE GOVERNMENT Page 10

The ruling Liberal-Democratic Party is scheduled to elect a new president at its national convention on 12 December and his name will be submitted to the Diet on 20 December for approval to succeed Hatoyama as prime minister. The leading candidates are party secretary general Kishi, International Trade and Industry minister Ishibashi, and Executive Board chairman Ishii. Kishi has assured Ambassador Allison that any new government would co-operate with the United States in foreign policy, but probably would seek a revision of the US-Japan security treaty, possibly including a date for the withdrawal of American troops. [redacted]

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SOUTH KOREAN ARMY LEADERS ARRESTED Page 11

The arrest of seven high-ranking South Korean army officers in connection with the assassination in January of CIC chief "Snake" Kim is expected to increase the already existing factionalism and anxiety among South Korean army leaders. The arrests appear to be connected with Army Chief of Staff Yi Hyong-kun's attempts to discredit his principal rival, Joint Chiefs of Staff chairman Chong Il-kwon. [redacted]

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CHOU EN-LAI'S TRIP Page 12

On the first leg of his good-will tour through Asia, Chou En-lai has sought to counter the effects of recent developments in East Europe and has gone out of his way to reassure North Vietnam that Peiping rejects "great-nation chauvinism." In Cambodia, where Prince Sihanouk ordered a "hero's welcome" for him, Chou's remarks reflected the Chinese Communist effort to widen the gap between the Asian-African states and the West by stressing "anticolonialism." Although Chou apparently impressed the Overseas Chinese in Cambodia, Sihanouk's government remains wary of Peiping's intentions. [redacted]

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ARGENTINE ARMY COMMAND SHIFTS Page 13

The purge of the Argentine army command which began on 22 November results from new pressure from the "gorillas," one of two military groups struggling for dominance of the regime. The immediate objectives of the "gorillas" apparently include delaying the elections now scheduled for late 1957 in order to reduce the presidential prospects of Arturo Frondizi, the Radical Party candidate, and building up the navy's strength. [redacted]

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ICELAND'S NEW ATTITUDE ON THE KEFLAVIK BASE Page 14

Iceland, influenced by the Hungarian developments and desiring American financial assistance, shelved the question of an American troop withdrawal in the recent negotiations, but is trying to ensure that when the base question again arises, it will be discussed bilaterally with the United States rather than be referred first to the North Atlantic Council for recommendation, as occurred last summer. [redacted]

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WESTERN EUROPE'S PETROLEUM POSITION Page 15

Petroleum supplies now in sight for Western Europe over the next six months are estimated by OEEC experts at no more than 50 percent of normal, with an additional 25 percent expected from arrangements still to be formally worked out with Saudi Arabia via Tapline and with western hemisphere sources. Reported Soviet offers of additional supplies are unlikely to change Europe's over-all petroleum position significantly. Restrictions on consumption have now been introduced by most countries individually, but on a less drastic scale than that contemplated by OEEC plans. The shortages have already aggravated Britain's and France's serious dollar problems. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

AUSTRIAN NEUTRALITY AND THE HUNGARIAN REVOLUTION Page 1

The Hungarian rebellion has confronted the Austrian government with major problems--controlling its eastern frontiers, preventing prorebel activities on Austrian soil, and caring for the enormous influx of refugees. Despite overwhelming Austrian sympathy for the rebel cause, the government has generally performed these tasks with circumspection, and the Soviet Union has not seriously criticized Austria's neutral conduct. A prolonged crisis in Soviet-Hungarian relations, however, could make the maintenance of Austrian neutrality much more difficult. [redacted]

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INDONESIA Page 3

The antigovernment Indonesian army elements led by former deputy chief of staff Lubis have been substantially weakened by the recent army crisis. An attempt at a coup in the near future is possible but would seem to have little chance of success. Continued factionalism in the army may be exploited by political elements. [redacted]

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PART I

OF IMMEDIATE INTEREST

SYRIA

The internal drift to the left in Syria, accompanied by growing Soviet and Egyptian influence, is increasing tension between Syria and its neighbors as well as between Syria and the UK and France.



The combined tensions could result with little warning in an outbreak of hostilities involving Syria, which would increase the possibility of Soviet intervention. Internally, the Syrian leftists, trying not to precipitate outside intervention, are maintaining a facade of constitutional government, while they attempt to complete their assumption of power.

British-French Concern



The possibility of active British intervention cannot be discounted if the situation in Syria continues to deteriorate. The Foreign Office has denied Syrian charges that British, French, and Israeli troops are being concentrated on the Syrian border, but there have been persistent reports of British and French recon-

naissance attempts in Syria-- most recently, submarines suspected of being British or French have been sighted near Latakia.

The French government is extremely perturbed over the Soviet arms build-up and the internal situation in Syria, the internal situation in Jordan, and the increasingly exposed position of Lebanon. On 21 November, Ambassador Dillon in Paris reported that while French military action in Syria was unlikely, clandestine support of a Syrian coup remained "quite conceivable." Dillon felt any Syrian attack or other pressures on Lebanon would find partisans in the Mollet government for an Anglo-French military riposte.

Foreign Ministry spokesmen told Dillon on 23 November they believed the Syrian situation might take a "decisive turn" within a week or ten days. The cabinet was considering the situation urgently and was prepared to assist Lebanon with arms if necessary.

Turkey

Turkey also continues to voice serious concern over developments in Syria. It has been a vigorous advocate of strong action to reverse the leftist trend and has recently moved additional troops to the Syrian border. Turkey would probably co-operate in any joint military action in Syria, but is unlikely to take

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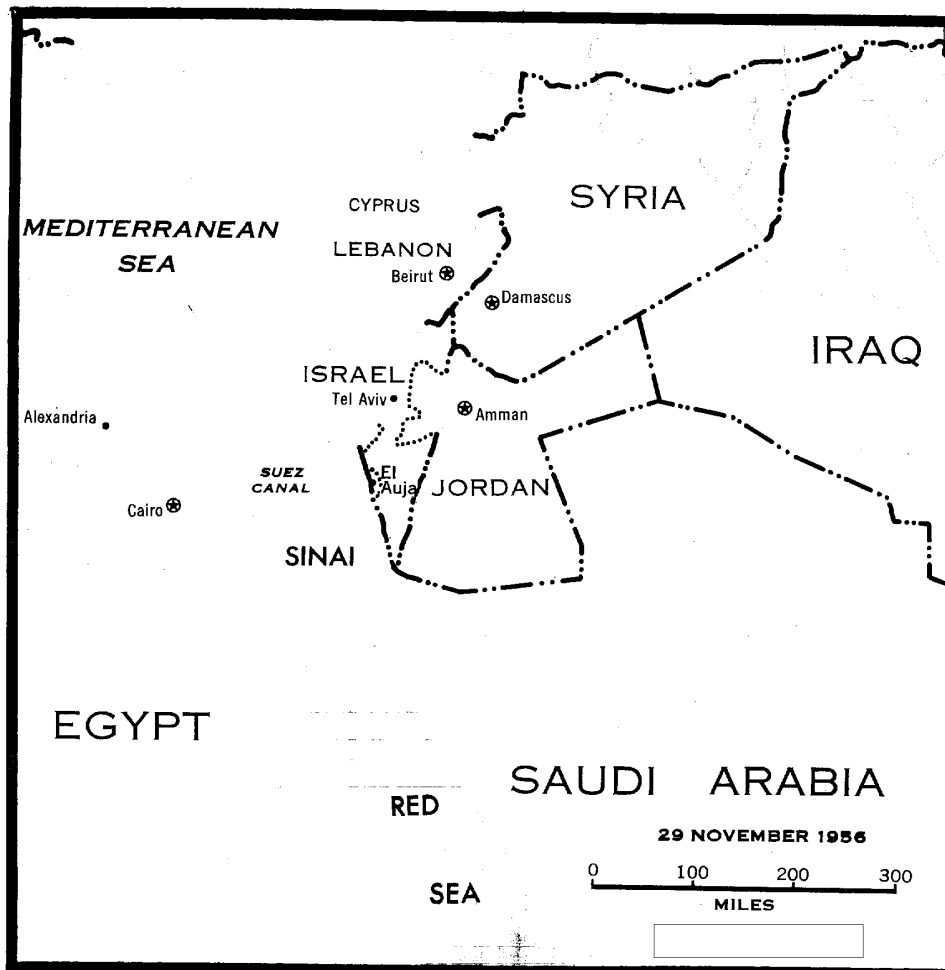
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unilateral military action. Turkish officials are in London to discuss, according to the press, the deteriorating Syrian situation.

Iraq

Iraq's long-standing concern over Syrian developments has now been heightened by Syrian sabotage of the Iraqi pipelines and the resultant loss of revenue, the possibility that an outright leftist government would further threaten Iraqi oil, and reports of the increasing build-up of Soviet arms and personnel.

The temptation to take action in Syria may be counter-balanced, however, by the internal situation in Iraq. Hostility against Britain remains high, and the Nuri Said government is shaky. Serious demonstrations have occurred and more are reportedly in the offing. Iraq, though anxious about Syria, would probably be reluctant to move more troops out of the country at the present time unless the demand for action were crucial, or could be sold to the Iraqi public as an anti-Soviet move.



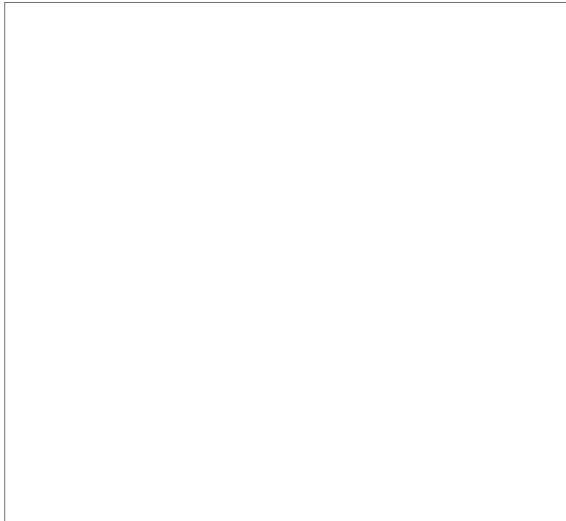
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Israel

Tension on Israel's border with Syria and Jordan has been momentarily reduced as a consequence of the withdrawal of heavy Israeli troop concentrations on 21-23 November. With the Egyptian threat temporarily removed, Israel has reduced its active forces to about 100,000 men. It remains capable, however, of remobilizing within 24 hours.

Israel is apprehensive over the leftist trends in Syria and Jordan, and over the possible arrival of additional Soviet military assistance to those countries. Syria continues to report a large number of reconnaissance overflights by Israeli aircraft, in addition to others by the British and French. Another major factor in the continuing tension is the very high level of sabotage and terrorist activity in Israel, which is being car-

ried out from Syria and Jordan. The Israeli delegate at the UN told Ambassador Lodge on 26 November that his country was considering asking the General Assembly to take action in Syria to forestall an outbreak of hostilities.

Syrian Leftists

Syrian leftists continue to move steadily toward a complete assumption of power. There reportedly is "open conflict" within the nationalist coalition government of Premier Asali, which appears about to be replaced or to be so reshuffled that leftists will dominate the cabinet. Former prime minister Khalid al-Azm is expected to head a new cabinet, or to take a prominent role. Arrests of opposition elements--rightist and Druze--continue to be reported.

Leftist elements led by Akram Hawrani, leader of the leftist Arab Socialist Resurrection Party (ASRP), and Syrian Communist Party leader Khalid Bakhdash attempted to force the government's downfall on 22 November. ASRP Foreign Minister Bitar reportedly has called for a military takeover.

While Premier Asali ridiculed reports of wholesale arrests of parliamentary deputies and army officers, he admitted to Ambassador Moose that four deputies and some army officers have been arrested and that a warrant is out for the Druze leader, Emir Hassan al-Atrash.

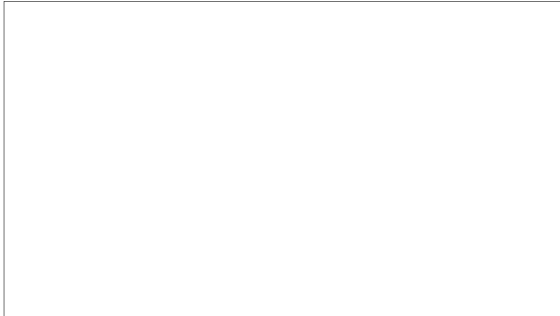
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The embassy has learned from other sources that 10 to 15 minor Druze leaders have also been taken into custody.



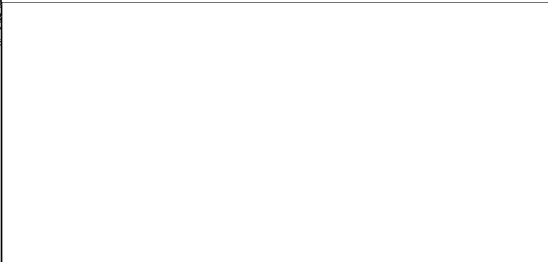
Fear of Coup

The Syrian leftist-nationalist civilian and army group appears apprehensive that its moves may precipitate an Iraqi-sponsored coup in conjunction with rightist elements in Syria, supported by Britain, France, Turkey, and Israel. The group's suspicions have been heightened by the intensive press reporting of the leftist drift and mounting Soviet build-up in Syria emanating from London, Paris, Ankara, and Tel Aviv, and evidence of arms smuggling to the Druze tribes in southern Syria.

The Syrian radio and press are engaged in a vitriolic campaign charging Iraq with the smuggling and with promoting rebellion. Moscow's radio and press have echoed the Syrian charges of Iraqi-Western plotting. The campaign appears to

be designed in part to discredit Iraqi prime minister Nuri Said further and to facilitate the leftist assumption of power by magnifying the danger of outside intervention.

According to press reports of 28 November, Shepilov said in Copenhagen that he had "incontestable information" that Britain, France and Israel intended to attack Syria, Lebanon, Egypt and other Middle East countries. It was not clear from Shepilov's inclusion of Egypt whether he was referring to events before the invasion of Egypt or meant a present threat.



The American embassy in Damascus reports that additional troops have been stationed near the northern Lebanese-Syrian border, allegedly because British and French vessels were sighted off the Syrian coast. Syria has also increased its defensive positions along the Damascus-Beirut road. Syrian youth groups, estimated to be at least 6,000 strong, are continuing their training in street fighting.



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SUEZ SITUATION

Recent restatements of the British and French positions on a withdrawal from Port Said present conditions evidently still unacceptable to Egypt. So far only a token withdrawal of one British battalion has taken place. Press reports on 27 November of further withdrawals probably refer to rear elements of the same battalion.

An estimated 20,000 allied forces remain in Egypt. Of these, British forces comprise an estimated 13,300. Total British forces in the eastern Mediterranean area remain at the build-up level of approximately 62,500.

France retains approximately 6,500 troops in Egypt and another 6,500 on Cyprus. Elements of a mechanized division, a tank battalion, and other support units appear to be returning to France from the eastern Mediterranean, however.

UN emergency forces now total approximately 4,200 troops from Canada, Colombia, Denmark, Finland, Norway, Sweden, and Yugoslavia. About 1,400 are already in Egypt--a company of 190 Norwegians at Port Said and the rest at Abu Suweir airfield near Ismailia awaiting redeployment. Secretary General Hammarskjold has offers of troops from 15 other UN members.

Plans privately proposed by British and French spokesmen for settling the Suez issue now play down the need for the "effective" UN forces on which they still insist publicly. Foreign Minister Pineau has informed the American UN delegation of a plan calling

for an Egyptian authority charged with daily operation of the canal and an association of users to collect and distribute the tolls. Clearance of the canal and its future development would be internationally financed, perhaps through the International Bank.

British statements now stress the need to clear the canal as soon as possible. Foreign Secretary Lloyd told Secretary General Hammarskjold that withdrawal of French and British troops should come at the end of a four-week period for establishing the United Nations international emergency force, with clearance of the canal to begin immediately, according to Hammarskjold. Lloyd said he would give a definite date on withdrawal when satisfied the clearing operation was in order. This presumably referred to the view that all "available" equipment should be used. British and French equipment now at the canal, or on the way there, is believed sufficient to perform the entire clearing operation without further additions.

London has already announced clearance of the channel at Port Said for vessels under 10,000 tons and 25-foot draft. Obstacles remaining in the Egyptian-controlled four fifths of the canal include sunken ships north and south of Lake Timsah, the center section of the Firdan highway bridge, and at least two other ships, plus an undetermined number of dredges, cranes and barges near the southern entrance at Suez.

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Egyptian Position

Nasr continues to insist on complete and unconditional withdrawal of British, French, and Israeli troops. He remains intensely suspicious of their intentions, and there are no indications that he is prepared to accept anything, such as the French plan on toll collection, that might impinge on Egypt's sovereignty. He appears to be uncertain exactly how to proceed toward a settlement, but to feel he now has the upper hand, especially in view of renewed criticism of the three powers by the UN resolutions of 24 November.

Egyptian press reports intimate that the dispute might be returned to the UN Security Council, which could use the 12 October agreement on six broad principles to govern the settlement. Reference to the six principles has appeared in British statements as well.

Aside from insisting that Israel remove all troops from Egyptian soil, Nasr has made it clear he expects the Israelis to leave the Gaza strip. There remains the possibility that Nasr might work for a general Arab-Israeli settlement if he believed the deal advantageous, despite the unfavorable climate for such an approach now.

Nasr seems aware that his position in Egypt and in the Arab world is far from secure. On the whole he has been moving cautiously in his relations with other Arab states. He

appears interested in improving his relations with the United States, both in an effort to re-establish his prestige and to balance the expanded Soviet position in Egypt. Despite hints that he plans to limit ties with the USSR, Egyptian-Soviet diplomatic co-operation remains close, especially in the UN.

On 26 November the Soviet bloc voted against the resolution to finance the UN Emergency Force out of the UN capital fund. Deputy Foreign Minister Kuznetsov told the General Assembly that the USSR would not accept any financial responsibility for the cost of the force or of salvage work on the canal. He insisted that the "aggressors" bear the entire cost and continued to play on Arab suspicions that Britain, France and Israel would refuse to withdraw all their forces from Egypt.

British Attitudes

Political pressures on Acting Prime Minister Butler remain high. The UN resolutions of 24 November fanned the flames of anti-American and anti-UN sentiment.

The resolution offered by some 125 right-wing Conservative members of Parliament supported Foreign Secretary Lloyd's efforts and, though sharp in tone, offered only a general warning to the cabinet against an early unconditional withdrawal from Port Said.

The UN secretary general has told American representatives

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he plans to establish the UN Emergency Force in two stages-- the first being the stationing of 1,800 men, mostly Scandinavian, at Port Said. The second stage involves moving a force of about 4,200 men to the armistice lines, "ultimately" ending up on Israel's borders. Hammarskjold believes that a 6,000-man force is needed, of which 4,200 are now available.

To finance the UN force, Hammarskjold plans to use regular UN procedures, such as loans. Insistence by the USSR, Egypt, some Latin Americans, and most Arabs that the "aggressors" should bear the entire expense will make it difficult to have the General

Assembly allocate costs among UN members.

On clearing the canal, Hammarskjold said the UN would take the responsibility and underwrite any loans, but that that final payment should probably come from canal tolls. He is optimistic about the withdrawal of British and French troops and Egypt's consent to clearance operations beginning the following day. He recognizes that "many people" believe the Egyptian position on clearing the canal is unreasonable, but feels that, as an executive of the General Assembly, he must act in accordance with assembly directives which gave clear priority to troop withdrawal. [redacted] 25X1

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PART II

NOTES AND COMMENTS

YUGOSLAV-SOVIET RELATIONS

The nature of the current Yugoslav-Soviet polemics indicates that neither side wishes a complete break, yet neither is willing to retreat from its fundamental position concerning the proper nature of relations between Communist states. Further Soviet efforts to isolate the Eastern European Satellites from Yugoslav influence are likely. The Soviet kidnaping of Hungarian ex-premier Nagy--in violation of an agreement between the Tito and Kadar governments--and the apparently Soviet-sponsored Albanian campaign of vilification against Yugoslavia have heightened the tension in the Communist world. However, it would probably take such action as Soviet economic pressure on Belgrade, or a real showdown with Poland, to force Tito to an open break.

Both the Borba editorial on 27 November, and the Pravda editorial which touched it off are couched in relatively restrained terms. Each side has stated the need for sincere and equal discussion of the differences, but accuses the other of unfair criticism.

Borba repeated the Yugoslav accusation that the "socialist camp" is nothing but a cover-up for the idea of the hegemony of the "leading country." It also reiterated that Stalinist excesses in the Soviet bloc arose not only from the cult of Stalin's personality but from the basic--and as yet unchanged--bureaucratic system, whose leaders are divorced from the working masses and disregard their aspirations.

The Yugoslavs blame the USSR for forcing them to take

aid from the capitalist West, and say they are proud they have maintained their socialist system, despite pressure from two sides.

Borba's editorial avoided mention of the Nagy kidnaping, possibly awaiting Soviet reaction to the Yugoslav protest note. The Yugoslavs may have released Nagy to test Soviet intentions toward Belgrade and toward building a more moderate regime in Budapest.

The propaganda war between Belgrade and Tirana over Yugoslav ideas on "many roads to socialism" has now been made more violent by the Albanian execution of three known pro-Titoists.

Yugoslav Attitude

The fundamental reason for Yugoslav reluctance to see relations with Moscow deteriorate is Belgrade's desire to help what it considers "good" Communism prevail in the Communist world. Of secondary importance is the Yugoslav desire to continue building its economy with Soviet bloc as well as Western aid.

The basic Yugoslav line now is that while "Stalinist" thinking has gained the upper hand in Moscow, eventually more moderate views will prevail. Tito would probably become thoroughly disillusioned and be likely to declare the party agreement of last June a "dead letter" if, for example, the Soviet leaders finally decide that the Gomulka regime must be brought back into line by extreme pressures or outright intervention.

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On the sensitive question of economic relations, there were hints in the Pravda article, particularly in its obvious linking of comments on the chronic Yugoslav grain shortage and Belgrade's reliance on capitalist aid, that Moscow may be less generous in the future. Negotiations for a Yugoslav-Soviet trade agreement for 1957 are scheduled for this month. If the Yugoslavs conclude from these negotiations, or from Soviet-imposed difficulties in implementing previous credit agreements, that Moscow is trying to use an economic lever to make Tito relent on his pressure for Satellite independence, a violent Yugoslav reaction would probably follow.

Short of these Soviet actions, however, it is likely that Soviet-Yugoslav party relations will be strained with heavy propaganda exchanges, but that efforts will be made on both sides to maintain reasonable governmental relations.

Soviet Attitude

The Pravda editorial of 23 November reflects the dilemma of current Soviet policy toward Yugoslavia, and a reappraisal of those relations forced on Soviet leaders by the events in the Satellites.

On the one hand, Pravda's moderate language and its appeal for a "dispassionate, comrade-like exchange of views" indicates that Moscow is trying to avoid a fundamental split with Belgrade which would be reminiscent of the 1948 break. On the other hand, Pravda was very critical of Tito's "dogmatic" interference in the affairs of other Communist parties, calling it an attempt to undermine the unity of the Communist world. Pravda tried to discredit Tito with charges that he was trying to set up the Yugoslav road to socialism as the best, or even the only,

road for others to follow, even though the Yugoslav system suffered from ideological weakness, the failure to socialize agriculture, and economic failures that made dependence on Western aid necessary.

The Soviet-Yugoslav reconciliation has been and remains a key element in Moscow's campaign to prove to the world that Soviet foreign policy has changed fundamentally in the post-Stalin period. While paying lip service to Tito's "different roads to socialism" principle, Moscow has tried to offset the danger that growing Yugoslav influence would have an unsettling effect in the Satellites by carefully controlling the pace of Satellite "liberalization" and seeking to integrate Yugoslavia more closely into the Communist camp.

The recent events in Poland and Hungary have forced the Soviet leaders to give top priority to maintaining maximum control in the Satellites, however seriously its actions might affect relations with Belgrade. The kidnaping of Nagy is an example of how this policy works in practice. Furthermore, instead of trying to draw Yugoslavia closer to the bloc, Moscow must--for the present--concentrate on the opposite aim of isolating the other Eastern European countries from Belgrade and discrediting Yugoslavia as an example for the Satellites to follow.

The seriousness of the problem in the case of Poland is illustrated by the Polish press endorsement--after the Pravda editorial--of many of Tito's views on Hungary, its condemnation of zigzagging Soviet policy, and its call for increased Polish-Yugoslav cooperation. With control of the Satellites as its foremost objective, Moscow is walking a tightrope in its relations with Yugoslavia. 25X1

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HARsher POLICIES IN HUNGARY LIKELY

Virtually stripped of any chance of gaining a popular following by the Soviet kidnaping of ex-premier Nagy, Hungarian premier Kadar has assumed an increasingly harsh and threatening attitude toward the population, which continues to resist the regime, despite extreme privations.

At the same time, Moscow, increasingly concerned about the failure of Hungarian authorities and the Soviet military to restore order in Hungary, has evidently initiated a course of more overt direction and control in Hungary. Soviet deputy premier Malenkov, according to press reports, arrived in Budapest on 23 November, possibly to oversee the application of more severe policies in Hungary.

Soviet Policy

Although adopting intermittently hard and soft policies --the one to crush passive resistance, the other to shore up the puppet regime--Soviet policy appears for the moment to be based on a realization that no effective and popular Hungarian regime can be established in the near future. Soviet action against Nagy and a number of his followers, whose restoration is still being demanded by most worker groups, reveals that the USSR has given up, for the present, the idea of developing Kadar as a powerful national Communist leader similar to Gomulka in Poland. Apparently, however, the Kadar regime will be retained as the instrument of Soviet policy in Hungary for the time being.

Some well-informed observers feel that a continued failure by the Hungarian government

to end the strike may result in the virtual elimination of Hungary as a nation. While this may be somewhat extreme, the failure to restore order to Hungary poses an increasingly serious problem to the Soviet hierarchy.

Worker Resistance

Passive resistance by Hungarian workers continues more than a month after the beginning of the revolution on 23 October despite all efforts by the Kadar regime to break down or win over the rebellious population. Workers' councils which have been created throughout the country have, by the regime's own admission, become "more or less master of the situation." These organizations continue to press their demands for economic and political liberalization--including the return to power of Imre Nagy. Efforts to place old-line Communists in charge of these councils have met with protests even from the Communist Party newspaper.

A number of the worker and revolutionary councils have modified their strike calls--although retaining their right to strike--in an effort to encourage some form of return to economic normalcy. Some workers --by no means a majority--have returned to their factories, but few have engaged in productive effort and all factories suffer from a lack of fuel, power and raw materials.

The spirit of the Hungarian worker still has not been broken, and strikes during the past week emphatically revealed worker unity and strength. A call for a 48-hour general strike on 21 and 22 November was highly effective and a one-hour "stay-at-home" protest by the Budapest

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citizens on 23 November was also a "big success." These moves boosted the morale of the population and probably jarred the regime.

Regime Policies

The regime--its repeated appeals to the workers and its pledges to implement most worker demands having failed to achieve the desired response--has threatened to adopt a significantly tougher domestic policy. This line was spelled out by Premier Kadar in a nationwide radio speech on 26 November. Kadar made scant reference to his alleged dedication to wide-sweeping economic and political concessions. Instead, he questioned the correctness of certain worker demands, hedged on amnesty pledges, and deferred any government overhaul until after order has been restored and then only with the inclusion of those "light-minded" parties and individuals dedicated to building socialism.

Kadar said that the rounding up of "criminals" was in progress and that all counter-revolutionaries must be "hunted down and rendered harmless." Press reports indicate that several rebellious leaders, in-

cluding at least one Communist writer known for his "nationalist" policies, have already been arrested as a result of this new wave of terror.

Kadar's open attack on Nagy, and his allegation that many people in offices and factories were "fascist Horthyite" and antidemocratic, presage a possible purge of the revolutionary and workers' councils established during the past month. In addition, the appointment of government commissioners to supervise productive efforts at a number of plants provides the Kadar regime with a new method to exert control over the workers' councils.

The Kadar regime has also made two recent moves which may affect its relations with the United States. On 24 November, the regime accused the American legation in Budapest of using a radio transmitter "against all international law," and on the following day issued a public condemnation of Cardinal Mindszenty, who is in asylum in the legation. These actions may be preparatory to a campaign of pressure against the legation, designed to obtain custody of the cardinal.

25X1

POLAND CHALLENGES SOVIET POLICY ON HUNGARY

Polish press attacks on Soviet policy toward Hungary reflect a decision by Poland's leaders not to remain silent any longer on the Soviet intervention in Hungary lest they appear to be acquiescing in Moscow's interference in the internal affairs of a Satellite. They apparently are prepared for a verbal battle with the USSR on this issue, but probably believe that more direct and pressing problems

will prevent the Soviet leaders from taking strong action.

The first attack, which appeared in Zycie Warszawy on 23 November, was reportedly approved in advance by the press department of the central committee of the Polish United Workers (Communist) Party. The article compared the Hungarian revolution with the Poznan uprising and said the "heroic"

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Hungarians were fighting for the same thing as the Poles-- sovereignty. It called the Soviet line on Hungary a "senseless theory," and stated that the Soviet system itself, as well as Stalin, bears a heavy responsibility for Stalinist practices.

Various other Polish papers have joined in this criticism of the USSR. Trybuna Wolnosci, weekly organ of the party central committee, endorsed Tito's views on relations between socialist states and called for Polish-Yugoslav co-operation in the struggle against Stalinism. It also endorsed most of Tito's analysis of recent events in Hungary, but did not mention his justification of the second intervention by Soviet troops at the call of the Kadar regime.

There are also signs that Poland may withdraw its support of Hungarian premier Kadar. An open letter signed by most of Poland's leading writers and blaming the Hungarian bloodshed on a "compromised regime" was published in Warsaw news-

papers on 25 November. In addition, the Warsaw branch of the Union of Journalists passed a resolution condemning the kidnaping of former premier Nagy.

There has been no open Soviet reaction to these criticisms thus far, although Soviet leaders have probably been angered by them. On 26 November, Zycie Warszawy attempted to assure the USSR that Polish criticism was limited to Soviet actions in Hungary by attacking Western commentators who said its earlier article indicated a weakening of the Soviet-Polish alliance.

The willingness of the Polish regime to challenge Soviet action in Hungary will give it increased stature in the eyes of the Polish people. The Gomulka government, however, is aware that such articles could spark further demonstrations against the USSR, and the 26 November article in Zycie Warszawy may also have been designed to remind the people of the necessity for maintaining friendly relations with the Soviet Union.

25X1

THE NEW POLISH REGIME

The extensive personnel and organizational changes in the Polish party and government since the accession to power of First Secretary Gomulka have continued the liberalizing and streamlining program in progress since the Soviet 20th party congress last February.

Of the present nine politburo members, four were members before the 20th congress, while only one of the seven party secretaries is a holdover. In addition, only 15 of the 33 ministers of the present govern-

ment were in the same jobs prior to the congress.

Pre-Gomulka Changes

A total of 34 ministers or deputies were fired between February and late October when Gomulka came to power. Four ministries were also abolished. These changes, apparently in response to public demands for a liberalization of the government, may have been designed to remove officials thought to be associated with the excesses of the Stalinist period. Also

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some ministers who were responsible for the economic shortcomings that led to the Poznan riots were fired.

During this period, Jakub Berman and Hilary Minc were removed from the politburo. These two men, with the late Boleslaw Beirut, were the ruling triumvirate responsible for the purge of Gomulka in 1948, and their removal paved the way for the return of Gomulka to a position of leadership.

Post-Gomulka Changes

Gomulka, to assure a regime loyal to himself, went much further in shaking up the party apparatus after his return to power, removing six politburo members as well as a secretary of the central committee who were considered Stalinists. He replaced the politburo members with three men who are considered "liberal" Communists and one who is a known Gomulka supporter. He also appointed two new secretaries to the central committee, including one "liberal."

Similar changes are taking place in lower echelons of the party. Most of the executive boards of the party provincial organizations have been changed since Gomulka became first secretary.

A number of governmental changes have also been made, presumably at Gomulka's insistence, including the abolition of two ministries and the state economic planning commission. In addition, 14 ministers or deputy ministers have been appointed, including "liberal" Communists, known Gomulka supporters and non-Communists who were appointed for their technical competence.

The most notable post-Gomulka personnel change was the removal of Marshal Rokossowski from his key posts of defense minister, politburo member and deputy premier. Rokossowski was replaced as defense minister by General Sychalski, who had been purged in 1949 in connection with Gomulka's downfall.

Gomulka, who has undoubtedly been haunted by memories of the wholesale denunciation of him in 1948-49 by his erstwhile comrades in the Polish party hierarchy, including some persons who still hold high offices, appears to be clearing the political scene of persons he does not trust. The fact that some of these remain in high positions probably reflects the difficulty of finding replacements as well as the necessity for making some concessions to all factions for the sake of party unity.

25X1

MOLOTOV'S STATUS IN THE SOVIET LEADERSHIP

Two recent events have cast some light on V. M. Molotov's influence and responsibilities in the Soviet top leadership. On 20 November Sovetskaya Kultura, organ of the USSR Ministry of Culture, reported that Molotov had spoken at a con-

ference of leaders in the field of Soviet art. On the following day his appointment as minister of state control was announced.

Molotov's speech before representatives of the Soviet art world in his first public

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activity as overseer of cultural and educational affairs, a post to which he was assigned sometime after his replacement last June as foreign minister. It is not known whether he still retains his responsibilities as a watchdog over art and literature, a post carrying considerable ideological influence.

Molotov's appointment as minister of state control--



taken by itself--does not appear to represent a comeback for the former minister of foreign affairs. His new post carries no policy-making authority and no supervisory powers over party organs; the minister of state control does not exercise a powerful influence in top party circles. In his new position, Molotov, while still a first deputy premier, remains removed from the vital area of foreign policy and heads a ministry which has

had a substantial diminution in influence since Stalin's death.

Although his long-standing opposition to the rapprochement with Tito has apparently been vindicated by recent developments, Molotov does not appear to have regained a primary power position in the Soviet hierarchy as a result of the difficulties in Hungary and Poland.

Reports emanating from Belgrade and Warsaw since September of a deep split in the Soviet leadership and the ascendance of a "Stalinist" faction headed by Molotov have been modified. Officials in these capitals now say that the Soviet leaders are united on policy toward the Satellites and that Khrushchev's dominant position has not been affected by the stiffening of Soviet policy. In a recent conversation with Ambassador Bohlen, the Yugoslav envoy in Moscow denied that Khrushchev, in his talks with Tito in the Crimea in late September and early October, had raised the subject of opposition to his policies by other Soviet leaders.

The timing of Molotov's new assignment, the continued prominence of Khrushchev, and Pravda's authoritative reaffirmation on 23 November of the "different roads to socialism" doctrine opposed by Molotov all appear to refute rumors that Molotov's stock is rising spectacularly.

25X1

NEW SOVIET HARASSMENT OF ALLIED TRAVEL TO BERLIN

Soviet authorities in East Germany on the night of 20-21 November began an attempt to subject Allied military trains traveling between West Germany and Berlin to new regulations.

They demanded more detailed documentation for passengers, including Russian translations of travel orders and identity cards, and asserted they had the right to board trains to

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check passengers and their documents. Although the Russians deny they are challenging Western rights, their recent efforts may presage an attempt to establish more rigid controls over access to the city.

The USSR may be demonstrating its retaliatory capabilities in an attempt to forestall possible Western moves to stimulate and exploit popular unrest in East Germany, which Moscow has always blamed on "spy centers" in Berlin. In more general terms the Soviets, having been caught off balance in Eastern Europe, may be trying to test Allied unity by putting the West under pressure where its vulnerability is high. They may hope that one direct result of their pressure will be to increase the number of Westerners forced to seek East German documentation for non-official travel to Berlin.

The United States, Britain and France operate passenger and freight trains between Berlin and West Germany under a four-power agreement which sets no limit on categories or nationalities of personnel who may be carried. The only limits are those which Western military commanders themselves have imposed. Heretofore, Soviet authorities have not normally required travel orders or identity documents of passengers. Train commanders have merely

submitted passenger lists and freight manifests.

On 22 November, the Allied political advisers in Berlin protested to the acting Soviet commander in Berlin the attempt to alter established procedures unilaterally. He replied that such procedures were entirely a matter for decision by the Soviet authorities, who had the right to change them as they wished. He emphasized that the purpose of the stricter controls was to limit travel to members of the Allied garrisons in Berlin and their dependents. This limitation, he said, would apply to both rail and highway traffic to Berlin. There has been no hindrance of autobahn traffic as yet.

Enforcement of the new control procedures thus far has not been consistent. In some instances, trains have passed through the East German border check point at Marienborn with only a cursory check and a minimum of difficulty. One train, however, was delayed for three hours, and another was turned back after a two-hour delay on the grounds that schedules were disrupted. Soviet authorities warned that they would start boarding Allied trains on the night of 25-26 November, but they failed to carry out their threat.

25X1

FRENCH PREMIER FACES INCREASED OPPOSITION

Disillusionment over the Anglo-French intervention in Egypt is growing in France as the gloomy economic outlook becomes more apparent, and criticism of government policies is increasing within Premier Mollet's party. No immediate

crisis is expected, however, because there are few likely successors anxious to take responsibility for France's critical domestic and international problems.

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French public opinion still supports Mollet's original aims of ousting Egyptian president Nasr and internationalizing the Suez Canal, but the belief is growing that the intervention was a disastrous failure, and that the worst is yet to come. The fuel shortage is already causing a cutback in important sectors of industry, but its full impact is not expected to be felt until January (see page 15). The government has imposed rationing effective on 29 November. So far, the French public blames the oil shortage on Nasr, but there is growing anger over American refusal to make alternate supplies available.

An important minority in Mollet's Socialist Party is openly criticizing his policies, and has asked for a special

party congress to discuss the Middle East and Algeria. This group argues that Western intervention in Egypt lost the Socialists an opportunity to attract those Communists repelled by the Soviet repression in Hungary.

Rightist parliamentary elements are also increasingly critical of Mollet. There are, however, few political leaders willing to take on Mollet's task of meeting the anticipated economic crisis of liquidating France's North African problems. The budget has frequently served as an excuse to overthrow a premier, but the present budget debates appear to be progressing smoothly. Moreover, the government seems to have been successful in avoiding assembly consideration of the Algerian issue, and the controversial debate on government aid to church schools has been put off until January. [redacted]

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NORTH AFRICAAlgeria

[redacted] France may drastically revise its policy toward Algeria. [redacted]

the cabinet reaffirmed on 24 November their confidence in Minister Lacoste, who still advocates pacification by force, which he hopes to complete before the Algerian issue is debated in the United Nations, probably in January.

Mollet told an American congressional delegation that terms for a cease-fire would be generous and would include permission for the rebels to retain their arms and to hold areas controlled when a cease-fire becomes effective. France would then hold free elections, which might be supervised by

the United Nations or a "suitable neutral" and negotiate a "liberal political settlement" which would "admit the principle of full self-government for Algeria." Acceptance of UN supervision would be a complete reversal of France's contention that Algeria is a domestic problem outside the scope of UN jurisdiction. 25X1 25X11

Although such a new policy would fail to meet the primary rebel demand of independence, it might be acceptable to enough rebel leaders to reduce hostilities somewhat. Mollet could then take the line domestically that Lacoste's policy had borne fruit.

Both the rebels and the French security forces have stepped up their operations

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since mid-November. Prospects of a nationwide rebel offensive in December have been reported. Guerrilla activity seems to have increased markedly in the rural areas of the Algiers region and to a lesser extent in the Oran and the Constantine regions. Urban terrorism also continues to increase. These developments seem to belie Lacoste's contention to the French cabinet on 21 November that there has been "an extremely substantial improvement in the military picture" and that the rebellion is in its eleventh hour. The American consul general in Algiers does not believe that pacification can be completed in the near future.

Morocco

In Morocco, the nationalist trade union has succeeded in deferring a strike of American-employed workers at the naval air base at Port Lyautey, which is jointly operated by the United States and France. The Moroccans had erroneously assumed that French military construction on the American wharf had American approval. The French have now agreed to stop the construction of military barracks, but indicate they will continue to offload military supplies on the wharf. Still fearing that France intends to reimpose its control in Morocco, the Moroccans probably will continue to protest such activity.

25X1

THE NEXT JAPANESE GOVERNMENT

After months of fruitless efforts to agree in advance on a successor to Japan's Prime Minister Hatoyama, leaders of the ruling Liberal-Democratic Party may settle the question by an open party convention vote, an unusual procedure in Japan. Plans call for the election of a new party president at the national convention

on 12 December, with the winner's name to be submitted to the regular Diet session on 20 December for approval as the successor to Hatoyama as prime minister. The new prime minister is then expected to appoint his cabinet immediately, postponing any general election at least until spring.



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KISHI



ISHIBASHI

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The leading candidates in the struggle are Nobosuke Kishi, party secretary general, Tanzan Ishibashi, international trade and industry minister, and Mitsujiro Ishii, party executive board chairman. Kishi, who long had tried to maintain a neutral position among all party factions in order to obtain wide support, appears to be the favorite, but his decision to identify himself with the "main stream" faction led by Agriculture and Forestry Minister Ichiro Kono recently strengthened his opposition.

If an open vote is carried out, the party president will be selected by 297 members of the lower house, 124 members of the upper house, and 92 regional representatives. At least half of these are believed to be uncommitted. In addition, the probability of last-minute deals makes the outcome far from certain. Some observers believe there is still a possibility that a preconvention agreement will be reached,

making the convention vote a mere formality.

The prospects are that, of the leading candidates, only Kishi would be able to form a stable government; the others would be regarded as interim governments until a stronger party leadership emerged.

Kishi has told Ambassador Allison that the three leading candidates are united on foreign policy, and that no matter who wins, the next government will continue to co-operate with the United States. Kishi indicated, however, that Japan would seek a revision of the US-Japan security treaty, possibly including a date for the withdrawal of American troops, and the release of the remaining war criminals in Sugamo prison. Some conservative leaders contend that only such measures would demonstrate Japan's independence from the United States and prevent a Socialist government from gaining power. 25X1

SOUTH KOREAN ARMY LEADERS ARRESTED

The arrest on 22 November of seven high-ranking South Korean army officers, including former 2nd Army commander Lieutenant General Kang Mun-bong, is expected to increase the already existing factionalism and anxiety among South Korean army leaders. Kang is a close supporter of Joint Chiefs of Staff chairman Chong Il-kwon, and his arrest may be connected with Army Chief of Staff Yi Hyong-kun's persistent efforts to undermine Chong's influence in the army.

The arrests climax a new investigation of the assassination on 30 January of CIC chief Major General Kim Chang-yong ("Snake" Kim). Four conspira-

tors in the assassination were sentenced to death or life imprisonment last October. Kang is now charged with having given the wife of one of the condemned men a considerable sum of money.

Kim, who considered himself responsible only to President Rhee, had incurred the hostility of many army elements, including persons close to Chong Il-kwon. The special board of inquiry appointed to reopen the "Snake" Kim case is dominated by officers hostile to Chong and Kang. 25X1

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[Redacted]

President Rhee probably

desires a speedy end to the case, especially since the Chong-Yi feud now shows signs of spreading within Rhee's Liberal Party. Nevertheless, the case has tended to discredit the army in the eyes of South Koreans, and has adversely affected morale among many senior army officers.

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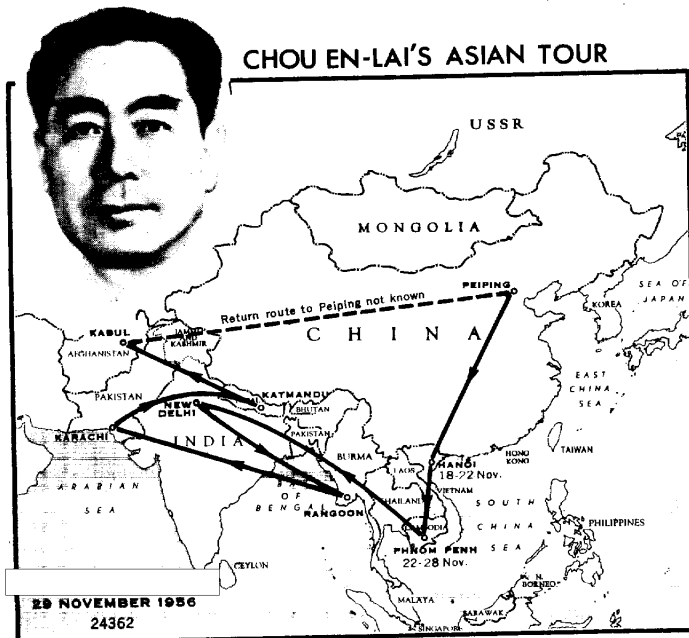
CHOU EN-LAI'S TRIP

Chou En-lai's statements in North Vietnam, the joint Sino-Viet Minh communiqué issued in Hanoi on 22 November, and Chou's speech before the Cambodian parliament two days later are evidence of Peiping's continued reliance on a soft policy to achieve Chinese Communist objectives in Asia. Chou's remarks appear intended to widen the gap between the uncommitted states and the West and to draw the Asian-African nations nearer to the Sino-Soviet bloc by stressing "anti-

colonialism" and Communist dedication to "peace."

In what was evidently an effort to counter the impact of recent developments in Eastern Europe, Chou went out of his way to reassure North Vietnam as to Peiping's intentions. He strongly rejected "great-nation chauvinism" and promised Chinese Communist adherence to the "five principles of peaceful coexistence," which he said should govern the relations between all nations. At the same time, Communist China and the Viet Minh affirmed their support of "solidarity among the socialist countries" and endorsed the Soviet 30 October statement on internal relations.

A major theme of the Hanoi communiqué was the importance of the continued "struggle against aggression and colonialism" which was stressed as a common bond among all the Asian-African states. The two prime ministers promised support to Egypt until its "national independence and sovereignty" have been restored.

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The communiqué declared that the Chinese Communists and the Viet Minh would stand together to bring about "thorough implementation" of the Geneva agreements, which it asserted were being "gravely sabotaged" by the government of South Vietnam. Failure to demand a new conference on Indochina, however, suggests the Communists are willing to accept the status quo for the present.

The theme of anticolonialism received additional emphasis when Chou arrived in Cambodia. In his speech before parliament on 24 November, Chou reviewed Sino-Cambodian "successes" against the "colonialists" at the Geneva conference in 1954 and at Bandung the following year. He asserted that Peiping and Phnom Penh share a love of independence, a devotion to peace, and a desire to "proceed with their construction," which provide a basis for friendly relations.

Chou received a carefully contrived "hero's welcome" in Cambodia, largely on the personal orders of Prince Siha-

nouk, who was anxious to repay Chou for the warm reception given the Cambodian delegation to Peiping last February. The welcome to Chou was also in keeping with Sihanouk's view that to be a "good friend" of Peiping is Cambodia's best defense against Communist aggression. Under the circumstances, Chou's visit constitutes a propaganda victory for the Communists which seems likely to strengthen Peiping's standing among the influential Overseas Chinese community in Cambodia. The reaction in Cambodia to Soviet intervention in Hungary, however, has offset the effects of Chou's visit to some extent. The Cambodian delegation in the UN, in contrast to other Asian neutrals, has consistently supported the West on this issue. The final communiqué, moreover, was largely a repetition of the one signed in February which indicates that Sihanouk avoided making any new commitments to Peiping.

The Chinese Communist premier finished his visit to Cambodia on 27 November and is now in India.

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ARGENTINE ARMY COMMAND SHIFTS

The shake-up in Argentine army commands starting on 22 November results from the continuing struggle for political dominance between two loosely defined military groups, the "democratic gorillas" and the "nationalists." The "gorillas," reportedly scoring a victory in these changes, hope to reduce the electoral chances of Arturo Frondizi, who on 9 November won the Radical Party presidential nomination for the elections now scheduled in late 1957. They also hope to increase the

navy's strength at the expense of the traditionally stronger army.

The term "gorilla," originally applied to young officers active in ousting Peron, has been extended to those--including some civilians--who favor the forced retirement of other generals and continued drastic repression of the Peronistas. The "gorillas" reportedly support President Aramburu's plan for democratization of the armed forces and their eventual

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elimination from politics. Many generals who do not share the "gorilla" point of view are labeled "nationalists," whether merited or not. Aramburu has tried to reconcile the two groups.

Army Changes

The army shifts are still under way and reportedly have affected 36 generals and various command posts throughout Argentina. The first to be ousted were the army commander in chief, the chief of staff, and the commanding generals of the cavalry and First Motorized Infantry Division. The political sentiments of the new appointees appear to be anti-Fronidizi. This would reflect the predominant "gorilla" view that Fronidizi is an undesirable presidential candidate and that elections should be delayed somewhat beyond the scheduled period of the last quarter of 1957.

Army Minister Ossorio Arana emphasized during his

announcement of the shifts that elections would be held as scheduled. It is rumored, however, that Ossorio may be relieved of his duties in the near future, since he maintains that the army should not try to influence the elections.

Conflicting Claims

Both the "gorillas" and the "nationalist" army group profess a desire to remove the military from politics. The "gorillas" charge, however, that the army is in effect promoting the fortunes of Fronidizi by not supporting measures which would delay the elections and give other political groups more time to strengthen their positions. Army "nationalists" favor letting the election date stand and would like to reduce the army purges and other ostensibly anti-Peronista measures, asserting that these store up potential resentment against the regime and could eventually provoke new revolutionary outbreaks.

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ICELAND'S NEW ATTITUDE ON THE KEFLAVIK BASE

In the negotiations with the United States last week, Iceland indicated its willingness for American troops to remain in the country and proposed that discussions concerning their withdrawal be discontinued.

Two factors have evidently induced the Icelandic government to retreat from its earlier demands. First, Soviet repression of the Hungarian uprising has made an unprecedented impact on

Icelanders and raised doubts as to the "improvement in the world situation" cited as a reason for the March resolution. Second, the government is anxious to have dollar-earning construction resumed at the base, and also desires a minimum \$4,000,000, 20-to-25-year loan from the United States to stabilize its currency.

The action of the Icelandic government is more a tactical retreat than a fundamental

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change of policy. The government will make no effort to remove from the books the parliamentary resolution of 28 March, which called for a revision of the defense agreement of 1951 and the withdrawal of American forces. It also seems determined to avoid referring the base question first to the North Atlantic Council in the future. When Iceland asked the council last June for an opinion on the continuing need for American troops at Keflavik, the council's affirmative reply put all of Iceland's allies on record against the government's proposal and intensified doubts among the Icelandic public.

The government has now proposed the formation of a US-Icelandic Standing Group "to consult from time to time as to the defense needs of Iceland and the North Atlantic area, to consider arrangements

appropriate to meeting such needs and, taking into account the general political and military situation, to make recommendations to the two governments."

The Communist-dominated Labor Alliance, which with the Progressives and Social Democrats forms the incumbent coalition government, is apparently willing to let American troops remain in Iceland for the present, although some self-righteous outbursts are to be expected. The Icelandic Communists are determined to remain in the government, where they are relatively immune to criticism from the other government parties and can proceed to reorganize their somewhat shaken ranks. More important, they can pursue their basic long-range aim of acquiring a firm grip on the island's economy through the Ministries of Fisheries and Commerce, and Social Affairs.

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WESTERN EUROPE'S PETROLEUM POSITION

Western Europe's current and prospective supplies of petroleum are now estimated by experts of the Organization for European Economic Co-operation (OEEC)* at from 75,000,000 to 30,000,000 tons or 50 percent of normal requirements for the next six months. These experts expect an additional 10 percent to be obtained from Saudi Arabia through Tapline and hope for 15 percent more from increased western hemisphere exports. The Tapline and western

*The 17 member countries are: Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.

hemisphere arrangements, however, have still to be formally worked out and consumption is meanwhile running at 90 percent of normal through the use of reserve stocks.

The Soviet Union, according to press reports, is making substantial oil offers to various Western European countries but these reports are unconfirmed. By curtailing domestic consumption and drawing on reserve stocks, the Soviet bloc could release some petroleum beyond the present 2,500,000-ton annual delivery rate to Western Europe. However, even under these circumstances, the amount which the bloc could offer would contribute only a small percentage to Western

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Europe's needs and the bloc would encounter obstacles in arranging transportation to effect deliveries. Under OEEC's proposed emergency regulations, however, any member country would be bound to contribute its imports from the USSR and from all other sources into a community pool.

Most OEEC member countries are now or soon will be enforcing measures designed to limit consumption on a national basis. Stocks, which averaged only 37 days of normal supply just before the Suez Canal was closed, vary considerably between countries as do the measures taken to restrict consumption. Few of these measures, however, undertake to cut consumption below 75 percent of normal, and at best, efforts made by individual nations separately will be cumulatively much less effective than would be pooling and cooperative restriction through the OEEC.

In these various national measures for restricting consumption, internal political considerations seem to have played at least as large a part as the respective countries' greatly differing dependence on oil for their basic energy requirements. Italy, for example, though dependent on oil for about a third of these requirements, fears to begin rationing because it anticipates panic buying and hoarding.

Britain's Position

Continued receipt by Britain of 70 percent of its normal

WESTERN EUROPE'S PETROLEUM POSITION

NUMBER OF DAYS SUPPLY AVAILABLE 1 NOVEMBER 1956

	NON AVIATION GASOLINE	DIESEL	FUEL OIL	TOTAL FUEL PRODUCTS*
BELGIUM	18	20	9	15
DENMARK	47	50	25	35
FRANCE	29	19	16	21
GREECE	52	38	35	42
ITALY	21	16	20	19
NETHERLANDS	36	23	12	20
NORWAY	70	57	45	54
PORTUGAL	55	42	73	64
SWEDEN	98	60	29	51
SWITZERLAND	63	55	28	50
WEST GERMANY	31	22	17	22
UK and EIRE	48	49	49	54
AVERAGE	47	38	30	37

* Includes aviation gasoline, jet fuel, and kerosene.

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supply is assured until early 1957. However, the Ministry of Fuel and Power is extremely concerned about the January-February position and the problem of making up the gap between assured imports for that period and the 75-percent level of availabilities on which present planning and rationing is based.

Following up the 10 percent cut in oil companies' deliveries ordered on 7 November, the government announced much more stringent measures on 20 November. Diesel oil for nonindustrial central heating will be cut one third and fuel oil for the same purpose cut 25 percent effective 1 December. Industrial consumption of diesel oil will be cut 20 percent on 1 January. Gasoline ration books providing fuel for about 200 miles per month will be in use on 17 December.

France

France is basing most of its restrictions on the assumption of a 25-percent shortage during the next six months. In heavy industrial fuel oil, however, there is a prospective

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40-percent shortage. Consumption of such oil by industries other than utilities has already been cut to two thirds of 1955 requirements, and the situation is expected to be even more serious by 1 January. Automobile travel has been restricted since 15 November, in anticipation of an acute gasoline shortage by April.

Italy

Italy sees no problem on gasoline before mid-January but anticipates a serious fuel oil shortage during the first week in December. The government has prevailed on the refineries to cut deliveries of fuel oil by 5 percent and has levied a tax on gasoline, the proceeds to be used to offset the increased cost of fuel oil to consumers.

West Germany

West Germany's supply situation appears to be less acute than that of most other European countries, but a shortage of fuel oil is anticipated and the major oil companies have been forced to cut back deliveries to major consumers by about 20 percent. The government wishes to avoid direct consumer rationing for fear of speculative hoarding and possible unfavorable comparison with conditions in East Germany.

Benelux

Belgium anticipates a tight fuel oil situation and has taken steps to reduce consumption of all petroleum products by 15 percent. The Netherlands has also cut consumption of fuel oil for domestic heating by 20 percent and for industry 10 percent.

Both countries have banned Sunday driving.

Scandinavia

Denmark appears to be in the most difficult situation, with only about four weeks' supply of fuel oil reported as of mid-November. Swedish law requires refineries to maintain reserves equal to about three months consumption at normal rates. The Norwegian minister of commerce reported in late November that the government was not presently concerned about stocks. Through curtailment of deliveries to retailers, Denmark has arranged to cut gasoline consumption by 25 percent, Sweden by 20 percent and Norway by 10 percent.

General Economic Repercussions

The chairman of the OEEC's petroleum committee has spoken of "disastrous" economic consequences for Western Europe unless the over-all petroleum shortage is kept below 25 percent during the next six months and unless the available supplies are efficiently allocated throughout the area. More immediate repercussions are already apparent in the aggravation of Britain and France's dollar problems.

Britain's gold and dollar reserves have in recent weeks approached the minimum safety working level of two billion dollars. During the week ended 17 November, these fell \$102,000,000, and added dollar payments for western hemisphere oil during the next six months are estimated at \$225,000,000. French dollar reserves, now down to \$1.3 billion, are expected to be similarly depleted by from \$65,000,000 to \$100,000,000 in the same period. 25X1

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PART III

PATTERNS AND PERSPECTIVES

AUSTRIAN NEUTRALITY AND THE HUNGARIAN REVOLUTION

The Soviet intervention in Hungary has presented the Austrian government with challenging and difficult problems scarcely a year after the withdrawal of Soviet occupation forces. The government and the people on the whole have met this challenge with circumspection, and the USSR has not seriously criticized Austria's neutral conduct. In doing so, they have had to prevent prorebel activities with which they sympathized, contrive measures to protect and control the eastern frontiers, refute Communist charges of neutrality violations, and contend with a major refugee problem.

Sympathy for the Rebels

The desire of the Austrian population to give support to the Hungarians presents the government with perhaps its most delicate problem. There have been numerous demonstrations throughout the country on behalf of the rebels. The party-controlled and independent press has condemned Soviet intervention, and parliamentary leaders have openly declared support for the Hungarians.

Responsible leaders of both the People's Party and the Socialists sent fraternal greetings to the Hungarian Smallholders and Social Democratic parties after their reconstitution and, during the period when the rebels seemed to have a chance, received delegations from them.

The government has urged Austrians to exercise restraint, reminded the population of the obligations of neutrality, and attempted to take as strong a

stand as it could against Soviet intervention. The Austrian cabinet requested the Soviet Union on 28 October to "help bring about the cessation of fighting in Hungary." In a radio address on 11 November, Chancellor Raab reminded the Austrians that the country must maintain its military neutrality, but he rejected any "colorless neutralism" for Austria and charged that the Soviet Union was crushing a "people attempting to rise up against political terror."

Emigré Activities

Another difficulty for the government has been the Hungarian expatriates, some of whom have viewed Austria as a potential base from which to continue resistance. Early in the rebellion Hungarian refugees in Austria reportedly broke out of federal camps, intending to return to their native country. Ambassador Thompson, moreover, has expressed concern over the intentions of various Hungarian emigré organizations.

The government initially seemed indisposed to intervene in these activities. The hazards of such a course were soon recognized, however, and Ferenc Nagy, former Hungarian premier, was asked to leave Vienna a few hours after he arrived from America. Faced with reports that the refugees were thinking at one point of establishing an emigré government and hoping to recruit arms and men for the rebels, the Austrian government has also urged the immediate removal of all refugees as quickly as possible.

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Frontier Controls

During the initial stages of the rebellion, the Hungarian frontier was policed on the Austrian side only by border and customs guards. As the struggle approached the Austrian frontiers, however, the government directed the clear demarcation of the border with Austrian flags. Some 4,000 troops were deployed in the area with orders to fire on Soviet or Hungarian border-crossers who refused to be disarmed. During the first two weeks of the fighting, about 1,500 Hungarians were disarmed and interned.

Prior to the appearance of Soviet troops at the border, Austrian press reports claimed open fraternization and free traffic across the frontier, which the border guards were evidently neither able nor disposed to control. Evidence is lacking, however, that assistance, other than welfare aid, reached the rebels from Austria, and Ambassador Thompson estimates that no more than a few hundred persons resident in Austria crossed the border to join the rebels.

Refugee Problem

Providing temporary housing and care for 96,000 refugees has overwhelmed Austrian facilities, and international assistance has afforded only partial relief. While the Vienna government has insisted it will grant asylum to all who desire to come, its official position is that the permanent absorption of these refugees is not only economically impossible but politically dangerous. Many Hungarians will try to stay in Austria in the hope that conditions will improve in Hungary and they will be able to return.

Bloc Allegations

On 2 November, Moscow radio broadcast charges of violations of Austrian neutrality, alleging that air shipments of munitions from Vienna to Budapest had occurred, that the Hungarian uprising had been directed by Americans, and that Hungarian emigrés were being flown into Hungary from Vienna. These allegations have been repeated at various times by Satellite transmitters, and most recently by the Budapest radio. Moreover, on 14 November, Izvestia specifically charged that some Austrian officials had violated the neutrality principle.

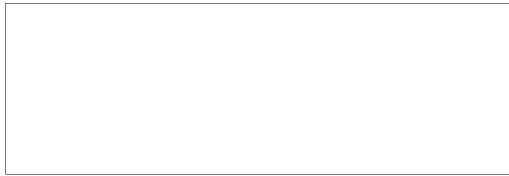
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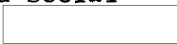
Immediate Dangers

Ambassador Thompson is inclined to discount the seriousness of these allegations, attributing the unofficial charges of violations of Austrian neutrality to Communist efforts to maintain the fiction that the Hungarian rebellion was not spontaneous but organized from abroad.

Any political activity on the part of Hungarian emigrés in Austria, however, would be certain to provoke a Soviet protest. Moreover, the shooting on 23 November of a Soviet soldier by an Austrian customs guard points up the danger of continuing border incidents.

Long-Term Problems

The Austrian government is obviously aware of such potential dangers. It will speed its efforts to create Austrian forces capable of at least policing its frontiers. Some consideration is also being given to the need for legislation to restrain the activities of individuals and organizations in accordance with the requirements of military neutrality. Despite the opposition of the Western powers, new consideration has been given to the possibility of seeking a four-power guarantee of Austria's territorial integrity.

Revulsion against the Austrian Communists is at an all-time high, and defections "by the thousands" will further diminish the already bleak prospects of the party for gaining any influence over Austrian policy. Moreover, there will be 25X1 increasingly strong opposition to expanding cultural and social exchanges with the bloc. 

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INDONESIA

Antigovernment Indonesian army elements have been substantially weakened by the army crisis, which reached its peak between 16 and 21 November, and any attempted coup in the near future would seem to have little chance of success. The crisis, however, stimulated the factionalism prevalent in the army, which may now be exploited by political elements.

The frictions between the army and government in Indonesia have their roots in the mutual suspicions that exist between most top army leaders and the National Party, which heads the government coalition, and date back at least to 1952. Army leaders distrust the party because of its record of interference in military affairs and intermittent co-operation with

the Communists. The National Party, for its part, has been concerned over the army's increasing interest in political matters and over the large degree of provincial autonomy exercised by the seven territorial commanders.

Since the National Party assumed control of the cabinet in April 1956, Chief of Staff Nasution has sought to promote centralized control. To this end he has carried out the long-postponed transfers of the seven territorial commanders, a move which has scattered the army's strongest leaders and deprived them of their chief sources of strength.

Colonel Lubis

The principals in the recent flare-ups were General

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Nasution and former deputy chief of staff Colonel Zulkifli Lubis. Lubis has been the main spokesman for army grievances against the government for the past 18 months and has been the chief instigator of the plotting against the government.



Lubis' career indicates that his recent activities have been motivated by personal ambition and a dislike for Nasution which derives from their long-standing identification with opposing army factions.



In any case, in his efforts to discredit Nasution and to increase his own support, he has exploited legitimate army grievances and disappointment over Nasution's failure to rectify them; the desire



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of the territorial commanders to retain a high degree of independent action in the face of Nasution's drive to increase headquarters' authority; and tension aroused by a series of

army transfers, reprimands, and arrests ordered by Nasution aimed at reducing political activity in the army.

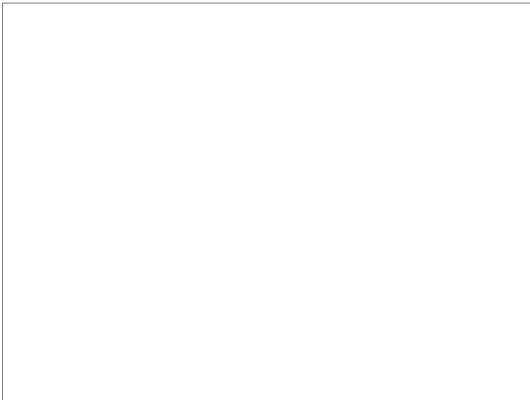
Lubis was appointed deputy chief of staff by a pro-Communist defense minister in 1953. During the ensuing two years,



NASUTION

the seven territorial commanders --and particularly Colonel Simbolon of North Sumatra and Colonel Kawilarang in West Java --provided the principal resistance to Communist influence in Indonesia. They were so successful in uniting the army against the defense minister that Lubis apparently was inspired to switch sides in 1955 and to take the lead in army tactics which resulted in the collapse of the first Ali Sastroamidjojo cabinet in July 1955.

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Tension continues high in Indonesia, but Nasution appears to have the situation under control. Even resentment over the transfer of territorial commanders appears to be diminishing, and the transfers are increasingly regarded as "regrettable," but part of a logical army rotation.

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Despite the success Nasution has achieved in disciplining the army, widespread dissatisfaction over low wages and poor living conditions continue. This dissatisfaction is aggravated by the knowledge of continued civil corruption and the government's inability or unwillingness to deal effectively with pressing domestic problems. Moreover, army factionalism is based heavily on personal loyalties as well as policy differences, which have not been eliminated in the recent crisis.

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