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12 November 1956



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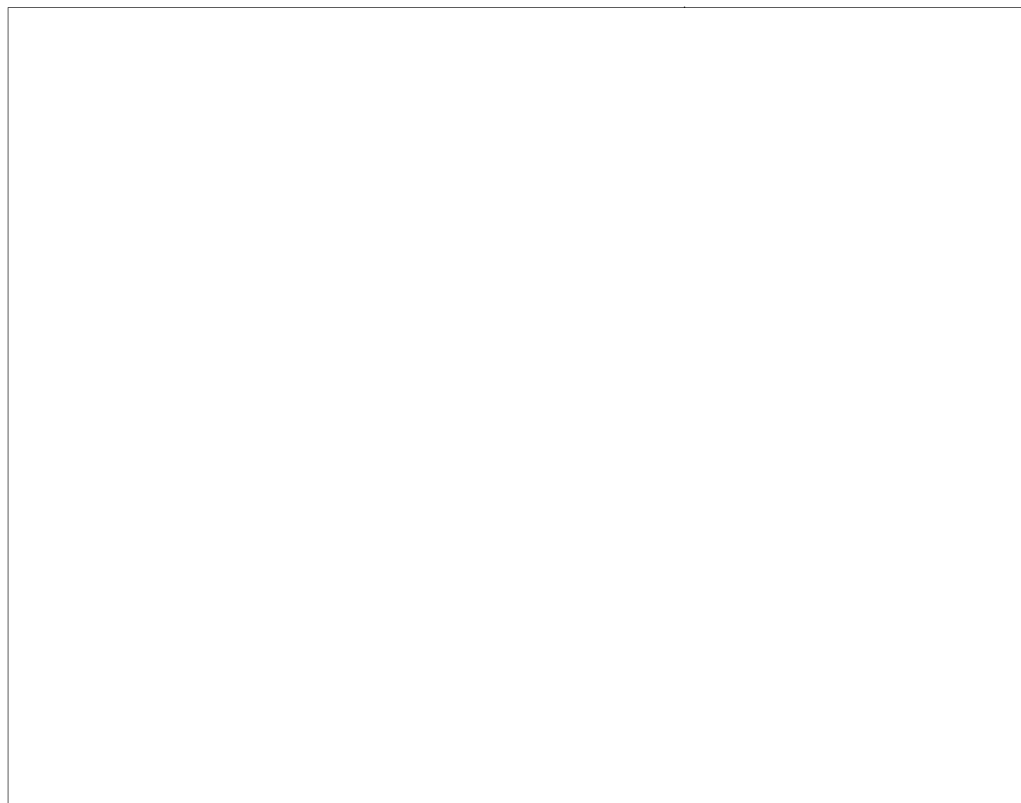
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**CURRENT
INTELLIGENCE
BULLETIN**

DOCUMENT NO. 26
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 21 Dec 77 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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1. MIDDLE EAST OIL PROBLEMS

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Saudi Arabia, which has ordered the Arabian-American Oil Company to stop exporting oil and oil products to Britain and France, has shut off the flow of its crude oil--some 170,000 barrels per day--to the refinery in Bahrein. This will cause a virtual shut-down of the refinery, which normally runs 200,000 barrels per day.

No Saudi oil from the ARAMCO Tapline is being loaded on British or French tankers at Sidon, Lebanon.

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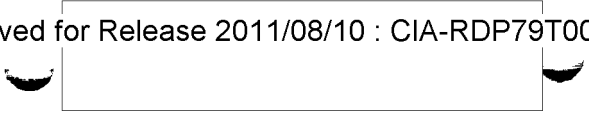
ARAMCO reports a 20-percent cut in its normal production of nearly a million barrels a day.

The Kuwait Oil Company, which normally produces slightly over a million barrels a day, may cut back to 75 percent in two weeks because of a shortage of tankers, which must now make the trip around Africa.

Reports on 8 November from Beirut on the damages to the Iraq Petroleum Company's pipeline through Syria indicate that pumping stations T-3 and T-4 are completely destroyed. T-2 pumping station has suffered extensive damage. The company's local superintendent stated that if the other stations were bypassed by new pipe, T-1 pumping station in Iraq could deliver some 80,000 barrels per day to the Mediterranean. This flow could be established in a few days if the Syrian government were willing.

Egyptian-directed terrorist activities against British and French installations continue and sabotage

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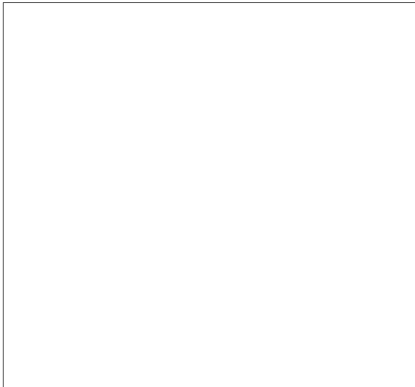


against other facilities by local nationalist elements re-
mains possible.



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3. SYRIANS SEEKING "UNUSUAL" TYPE OF JET FUEL



The Syrian air force has asked the president of the Beirut Socony organization, the exclusive supplier of all Syrian air force fuel, whether Socony could supply an "unusual type" of aircraft fuel. The Syrians expressed interest in fast delivery and insisted on secrecy in the negotiations.

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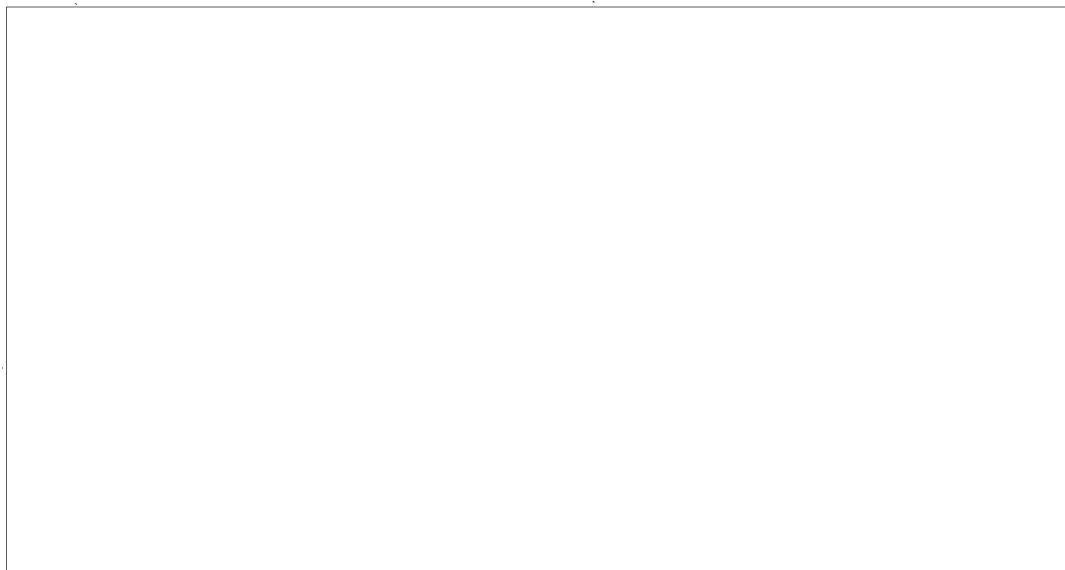
The Socony representative informed the Syrians that it would be impossible to supply such a fuel in quantities of less than 700 to 800 tons. The Syrians seemed not to be impressed but gave no indication of actual quantities required. They also were interested in price, but indicated it was no obstacle.



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Comment

The detailed specifications furnished by the Syrians match exactly those for jet fuel TS-1, one of the standard jet fuels used by the Soviet air force.



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**MIG fighter aircraft are estimated to
require about one ton of fuel per plane per hour.**

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4. JORDAN ARMY CHIEF BIDS FOR AMERICAN AID

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Jordan's army chief Nuwar told the American army attaché in Amman on 9 November that he must get military and economic aid and that if the United States would put up money and arms he would dissolve parliament, take over the government and guarantee Communism would be prevented from dominating Jordan. He said that if he does not get aid from the United States, he will get it from the Soviet Union.

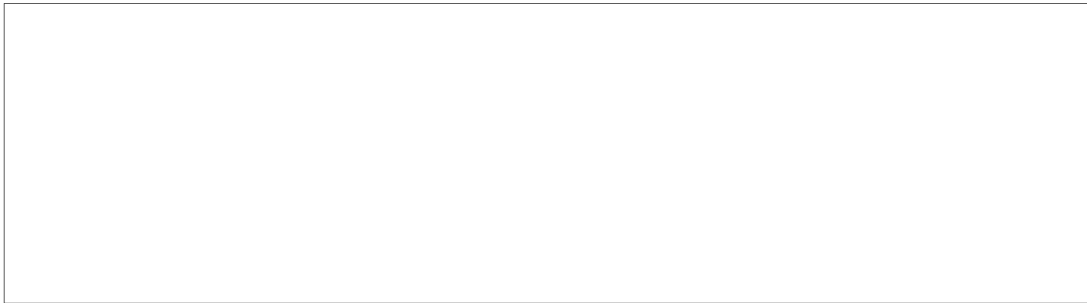
Nuwar said that Communist influence was gaining rapidly in Jordan and if the United States wants to salvage anything in Jordan it must act immediately. He said the aid must be in sufficient volume to compensate for British aid, "which will soon be ended." Nuwar

strongly urged his approach be treated with utmost secrecy and that it not be discussed with King Hussain.

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Soviet actions and statements in the Suez dispute have generated considerable popular pro-Soviet opinion in the Arab states, and the Jordanian government is reported under considerable pressure to establish diplomatic relations with the USSR, and to abrogate the tie with Britain.



5. THE SITUATION IN HUNGARY



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Virtually all organized resistance in Hungary apparently has ended. American correspondents who were allowed to leave Budapest on 10 November reported that, although some armed groups of "freedom fighters" were in evidence, they saw no fighting while en route to the Austrian border. In a major address on the morning of 11 November, Premier

Kadar claimed that, except for a few small armed groups and snipers in Budapest and along the roads leading to the northwest from the city, the "armed revolt" has been "crushed." The Budapest radio has implied that officers and men of the Hungarian army will soon arrive in the city to assist the Soviet units in maintaining order.



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The Kadar regime, faced with the monumental task of restoring order, has been relatively frank in its public discussions of the present "grave" state of affairs. Its current program emphasizes the need for economic order by urging a return to work and the restoration of transportation facilities, and the maintenance of civil order. The regime has appealed to the population to support the "liberal and national" Communist aims of the government.

A variety of regime statements over Radio Budapest reflect in detail the magnitude of the government's problem: pleas for the transportation of food supplies to and within Budapest have not abated; children in Budapest have been warned to stay off the streets because of the danger of "unexploded shells and damaged buildings"; the Ministry of Health



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has warned the people of Budapest of the "dangers rising out of the deterioration of public health conditions"; a county in the provinces has hailed with some pride the movement of trains within the county and promised on 10 November that "one or two trains will today move outside the county"; and a regime spokesman has said that Budapest workers were sitting "idly while our beautiful capital city is being destroyed."

Premier Kadar's efforts to gain popular support have included, in addition to his earlier promises of a free and independent Hungary which will negotiate for the withdrawal of Soviet troops, assurances of the continued use of the Kossuth national emblem which was officially adopted by the Nagy regime, the continued "freedom" of the trade unions, and a substantial increase in workers' wages. A press report claims that, in an additional attempt to woo the public, Kadar recently conferred with ex-premier Nagy--presumably in an effort to persuade Nagy to join the government. The regime has condemned Nagy for his tactics during the revolution, but has not accused him of treachery and has denied reports of his arrest.

The ability of the Kadar government to impose its will by alternately issuing promises, pleas and decrees is, at best, dubious. The regime's authority at present is weak and its organs are still in the process of reorganization. Most workers appear to be on strike, most of the Hungarian army has been dissolved or disarmed, and the Hungarian police forces have proved themselves inadequate to maintain order. The population can be expected to withhold its support as long as the Soviet troops remain in Hungary and as long as the present ruling diumvirate of Kadar and Muenich remains in power.

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**6. ITALIAN SOCIALIST REUNIFICATION REPORTED
BROUGHT NEARER BY SOVIET INTERVENTION IN
HUNGARY**



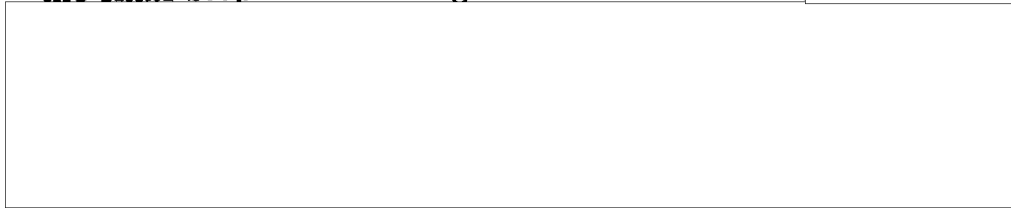
Adoption by Nenni's Italian Socialist Party of an official position which clearly opposes that of the Italian Communists on the Hungarian situation is

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"the final step in cementing Socialist unification."

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Comment

Events in Hungary have accelerated the deterioration of the Italian Communist Party, and may prove the decisive factor in impelling Nenni to break with his Communist allies. If the present trend continues, Nenni may expect to lose a considerable number of his followers unless he breaks with the Communists.

7. SOVIETS IN EAST GERMANY ACCELERATE DEPARTURE OF DEPENDENTS



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The processing of dependents' baggage at Wuensdorf, one of the processing centers in East Germany, has been increased to three or four times normal rate. The Soviet commandant at Wuensdorf Railroad Station expects this rate of travel to continue for two months. On 31 October railroad authorities were ordered to open new baggage processing centers at Potsdam and Eberwalde.

During early November trucks heavily loaded with military equipment and household goods were observed moving from Oranienburg toward the Potsdam area each evening. Most of the baggage is being shipped in the name of the dependent to scattered destinations in the USSR rather than in the name of the officer to a new duty station. A general lack of preparedness indicates that the movement orders were unexpected.



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all Soviet women in East Germany have been ordered to be prepared for sudden departure since a movement order may be expected at any time.

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Comment

This accelerated shipment of dependents from East Germany reflects the tense situation in the Satellites and, possibly, Soviet doubts as to the security of the principal routes of evacuation through Poland.



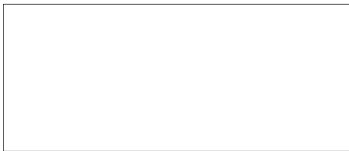
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**8. LAOTIANS VACILLATE ON PATHET LAO
INTEGRATION ISSUE**

Comment on:



Although the Laotian government initially indicated that it would integrate only 300 Pathet Lao soldiers into the royal army, the army chief of staff now estimates that some 5,000 Pathet troops will volunteer for integration. Of this number, he felt that 3,000 "might" be rejected by various screening devices, but indicated that nothing much could be done if the Pathets were to "balk" at being assigned to indoctrination centers. Questioned about a report that the Pathet Lao had increased its effective force by 1,600 men since the 5 August cease-fire agreement to improve its bargaining position, he replied that the government had no way of proving figures of Pathet strength.

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The government has already made dangerous concessions to the Pathet Lao on other issues, and the army chief's defeatist attitude on integration of the armed forces suggests that this issue will be settled on terms which will weaken the integrity of the army. The American embassy's comment on the general's vacillation is that it "does not augur well for a successful outcome" of the forthcoming negotiations on integration.